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Elections (Northern Ireland) Bill

The Elections (Northern Ireland) Bill, which is designed to strengthen the safeguards against electoral abuse, especially the practice of personation, was given a second reading in the House of Commons on 15 November.

Provisions of the Bill

The Bill has been introduced to check the practice of personation – voting in the name of another person – in elections in Northern Ireland. It empowers the Secretary of State for Northern Ireland to make regulations prescribing a list of personal documents, such as a driving licence or passport, one of which would have to be produced by a voter at a polling station before he or she were issued with a ballot paper. It also creates the new offence of possessing a prescribed document bearing another person's name or possessing forged documents on polling day for the purpose of personation. This offence would attract penalties on conviction of up to two years' imprisonment or a fine or both.

The provisions of the Bill would apply to parliamentary elections in Northern Ireland and also to local government, Northern Ireland Assembly and European Parliament elections. It is hoped that the legislation will be in force in time for the district council elections in Northern Ireland in May 1985.

Need for Legislation

Opening the debate on the second reading of the Bill (*Hansard*, Vol 67 No 8, cols 810-85) the Secretary of State for Northern Ireland, Mr Douglas Hurd, said that the problem of personation was not new in Northern Ireland, but its scale had increased so dramatically in recent years as to amount to a threat to the integrity of the electoral system. Personation ranged from voting on behalf of someone unable or unwilling to go to the polling station to using the vote of a person who was known not to be going to vote or stealing the vote of a supporter of another party who had not yet voted. There was no doubt that at the 1983 general election large teams of personators were used and some observers believed that as much as 20 per cent of the Sinn Féin vote was acquired by malpractice, although the precise figure was obviously difficult to establish. Strong representations had been made by all the constitutional parties to take action to reduce the opportunities for personation.

Shorter Note

TELEVISING HOUSE OF LORDS PROCEEDINGS

The House of Lords has voted in favour of televising its proceedings for a six-month experimental period from January 1985. After a debate on 27 November on the report of the House of Lords Select Committee on Sound Broadcasting, which recommends an experimental period of televising proceedings (see p 335), the motion in favour of accepting the report's recommendations was carried by 113 votes to 66 – a majority of 47.

The report recommends, among other things, that both the selection of what is broadcast and editorial control should be left to the broadcasting authorities [the British Broadcasting Corporation and the Independent Broadcasting Authority] as it is in the case of sound broadcasting. Most of the televised proceedings would be recorded, edited and used in subsequent programmes; live broadcasts would be very rare.

During the debate, the Lord President of the Council and Leader of the House of Lords, Viscount Whitelaw, said that for the period of the experiment the estimated costs of some £20,000 for each day televised would be met by the broadcasters and the cost to public funds would be less than £10,000 in respect of cabling and electrical installations for the whole experiment. If at the end the experiment were to be judged a success and there were to be negotiations about future costs, there could be no question of any commitment by the Government to the financing of the televising of proceedings in the House in the longer term. Lord Whitelaw said that he had believed for a long time in televising both Houses of Parliament since he believed that the public had a right to hear and see what happened in their Parliament.

Source: *Hansard* (*HL*), Vol 457, No 10, cols 763-860.

EXTERNAL AFFAIRS AND DEFENCE

European Council

Progress in the negotiations concerning the entry of Spain and Portugal into the European Community was made by the European Council in Dublin on 3 and 4 December. Other issues discussed were Community budgetary discipline, the famine in Ethiopia and other African countries, and East-West relations.

PRIME MINISTER'S STATEMENT

Reporting to the House of Commons on 5 December (*Hansard*, Vol 69, No 22, cols 352-9), the Prime Minister, Mrs Margaret Thatcher, said that the Council had discussed how to create more jobs by opening up the Community market for all goods, services and professions, by defining European standards for products and by improving the Community's performance in advanced industrial technology. This had to be achieved in the context of moderation in the evolution of real wages, and a pause in the growth of current public expenditure together with a decline for several years in its share of gross domestic product. The Council had agreed to set up a review of manpower policy with the aim of directing training to sectors where labour would be needed, of encouraging job mobility, and of fostering enterprise, especially among young people.

Turning to the enlargement negotiations with Spain and Portugal, Mrs Thatcher said that agreement had been reached on the Community's position regarding two outstanding issues, namely wine and fisheries. Although Greece had reserved its position on enlargement by linking it with a bid for more money for Mediterranean agricultural programmes, the negotiations would go ahead. Britain hoped that they would be brought to an early conclusion with a view to Spanish and Portuguese accession to the Community taking place on 1 January 1986. The outcome of the negotiations would have to be referred back to the Council of Ministers, especially in view of the position adopted by Greece.

On the famine in Ethiopia (see p 408), the Council had agreed that the Community and its member states should provide 1·2 million tonnes of grain in 1985. This was a major effort strongly supported by Britain.

Mrs Thatcher said that, within the context of political co-operation, the Council had endorsed certain principles for dealing with terrorism and abuses of diplomatic immunity adopted in September and had also discussed East-West relations, the Middle East and Central America.

Budgetary Discipline

The Prime Minister added that the Council of Ministers had adopted a text on budgetary discipline, including a strict financial guideline for agricultural expenditure. This was the result of considerable efforts over a period of years by Britain to ensure more effective control of Community expenditure and a better balance in the Community budget. All member states had agreed that the text on budgetary discipline should be binding on the Council of Ministers.

[Under the text on budgetary discipline, the Council of Ministers will at the beginning of the budgetary procedure each year fix an overall reference framework defined as the maximum level of expenditure to finance all Community policies. The text also commits the Council to respect this framework. In addition the Council will ensure that agricultural expenditure grows by less than the rate of growth of the 'own resources' base.[1] The text also provides for monitoring and intervention by ministers to ensure the effective application of budgetary discipline in the Community.]

PRESIDENCY CONCLUSIONS

Famine in Ethiopia

The European Council stressed the urgency of taking concerted international action in the face of the serious difficulties currently being experienced in many African countries, especially those like Ethiopia suffering the effects of an unprecedented drought and the ravages of malnutrition and famine. It therefore believed that the Community and its member states should provide 1·2 million tonnes of grain in 1985 and appealed to other donors to match this effort in order that the total needs of the states concerned, currently estimated at 2 million tonnes, could be met. Urgent action was necessary to avoid a threatened shortfall in the months immediately ahead and there was a need for improved co-ordination between the Community, its member states, other donors and non-governmental organisations in order to

[1] 'Own resources' are the Community's income derived from customs duties on imports, levies on agricultural imports, and the product of a notional rate of value added tax levied on a Community-harmonised base at a rate not exceeding 1 per cent.

increase the efficiency and pace of implementation of emergency aid measures; the European Commission was therefore invited to initiate action in this regard.

The Council acknowledged the need to undertake emergency action to speed up and support the recovery and rehabilitation process in African countries and to provide the Community's active support in their efforts to achieve self-sufficiency and security in food and in implementing long-term operations to combat drought and desertification. It emphasised the will of the member states in all international organisations to support initiatives to strengthen solidarity between the industrialised countries and the Third World and thus to foster development; it also noted with satisfaction the successful conclusion of the negotiations for the renewal of the Lomé Convention (see p 441).

East-West Relations

After their discussion on East-West relations the ten member states said that they would continue to seek constructive, comprehensive and realistic dialogue with the Soviet Union and the countries of Eastern Europe and, wherever possible, develop existing co-operation with them. The way to achieve a lasting improvement in international security was to build a broader understanding between East and West.

Member states attached 'the highest importance to the achievement of effective arms control and disarmament agreements on both nuclear and conventional weapons, as well as a convention to outlaw chemical weapons'. They therefore welcomed the recently announced United States-Soviet agreement[1] to enter into new discussions and hoped that the January meeting between the United States and Soviet Foreign Ministers would be followed by 'early substantive negotiations designed to bring about balanced reductions of intercontinental strategic nuclear weapons and intermediate nuclear forces to the lowest possible level, and to avert effectively the danger of an arms race in outer space'.

They also reaffirmed their determination to do everything possible to ensure progress at the Stockholm Conference on Confidence and Security-building Measures and Disarmament in Europe (see pp 48-9). The tenth anniversary in 1985 of the signature of the Helsinki Final Act underlined the continuing role of the Conference on Security and Co-operation in Europe (CSCE) in East-West relations and the ten member states were ready to be represented at high level at the anniversary commemoration. They would continue through the CSCE process to seek more secure and co-operative relations between the participating states and greater contact between their peoples, and to emphasise the importance of fully implementing all the Final Act's provisions, including those related to human rights and fundamental freedoms.

[1]On 22 November the United States and the Soviet Union announced that they would enter into new negotiations with the objective of reaching mutually acceptable agreements on the whole range of questions concerning nuclear and outer space arms. Both countries' Foreign Ministers will meet in Geneva on 7 and 8 January 1985.

Central America

Noting with satisfaction the inauguration of a new dialogue between Europe and Central America at the San José Conference in September (see pp 374-6), Community member states reaffirmed their conviction that the problems of the region could not be solved by armed force, but only by a political solution 'springing from the region itself and respecting the principles of non-interference and inviolability of frontiers'. The Contadora process was the best opportunity to achieve a political solution and the ten member states hoped that the efforts being made to reach agreement on the final text of the Contadora Act would come to early fruition.

Arab-Israel Conflict

Reaffirming their desire to see urgent efforts made to establish peace and stability in the Middle East and their willingness to assist in this regard, the member states said it was vitally important that renewed efforts should be made towards negotiations for a settlement of the Arab-Israel conflict. They remained convinced that a just, lasting and comprehensive peace could only be secured on the basis of the principles they had stated many times in the past and to which they continued to adhere (see pp 405-6), and called upon all parties fully to implement the provisions of Security Council resolutions 242 and 338, at the same time renewing their call for an end to the illegal policy of settlements in the occupied territories. A lasting solution, they said, could only be found through direct negotiations, with which the Palestine Liberation Organisation had to be associated, among the parties themselves – the Arab States, Israel and the Palestinian people – and these had to recognise mutually each other's existence and rights. The Community member states had consistently offered to assist in attempts to identify common ground between the parties, with whom they had maintained both individual and collective contact, and such contacts needed to be developed with a view to promoting movement towards negotiation and improving the situation in the region.

Lebanon

Welcoming the negotiations with United Nations involvement which had begun at Naqoura[1] and which they hoped would lead to complete Israeli withdrawal from Lebanon in accordance with the Security Council's call, Community members recalled their position in favour of the full sovereignty, independence and territorial integrity of Lebanon and their belief that this could only be effected in circumstances where all foreign forces were withdrawn from the country except those whose presence was requested by the Lebanese Government. They reaffirmed their willingness to assist the country's return to peace and normality, noting in this regard that some of their members were contributing to observer and peacekeeping operations there.

[1]Talks sponsored by the United Nations between Israeli and Lebanese military representatives to work out security arrangements for an Israeli withdrawal from south Lebanon began on 8 November at the headquarters of the UN Interim Force in Lebanon (UNIFIL) at Naqoura.

Iran-Iraq Conflict

Noting with concern that the Iran-Iraq conflict (see pp 211-12) had now entered its fifth year and that efforts to bring about a ceasefire and negotiations had not so far succeeded, the member states reaffirmed their intention to continue to work for an early, just and honourable settlement and to give full support to any efforts to contain the conflict in order to allow Iran and Iraq, with both of whom Community members desired good relations, to pursue their development in peace.

UK-Irish Talks

Talks were held at Chequers on 18 and 19 November between the Prime Minister, Mrs Margaret Thatcher, and the Taoiseach of the Irish Republic, Dr Garret FitzGerald, at which views were exchanged on international issues and on developments relating to Northern Ireland. The two heads of Government reaffirmed their rejection of violence to promote political objectives in Northern Ireland and agreed that where possible security co-operation should be improved. They also agreed on the need to recognise the identities of both the majority and the minority communities there and for the process of government to provide both communities with the confidence that their rights would be safeguarded. The Prime Minister and the Taoiseach agreed to meet again in the early months of 1985.

Communiqué

The following communiqué was issued after the meeting.

The Prime Minister, the Rt Hon Margaret Thatcher FRS MP, and the Taoiseach, Dr Garret FitzGerald TD, met at Chequers on 18 and 19 November 1984 in the second meeting of the Anglo-Irish Intergovernmental Council to be held at the level of heads of Government.

The Prime Minister was accompanied by the Secretary of State for Foreign and Commonwealth Affairs, the Rt Hon Sir Geoffrey Howe QC MP, and the Secretary of State for Northern Ireland, the Rt Hon Douglas Hurd CBE MP. The Taoiseach was accompanied by Mr Dick Spring TD, Tanaiste and Minister for Energy, and Mr Peter Barry TD, Minister for Foreign Affairs.

The Prime Minister and the Taoiseach exchanged views on European Community matters, including enlargement to admit Spain and Portugal, progress in creating the internal market, the economic and social situation, including employment trends, and the future development and financing of the Community.

The Prime Minister and the Taoiseach also reviewed current issues in international affairs, including the efforts to relieve famine in Ethiopia and other countries in Africa.

The Prime Minister and the Taoiseach reviewed the work done under the auspices of the Anglo-Irish Intergovernmental Council at both ministerial and official levels on political, economic, security and cultural matters. They noted that much detailed work was continuing at official level, and looked forward to further meetings of the council at all levels.

The Prime Minister and the Taoiseach had an extensive and constructive exchange of views on developments in relation to Northern Ireland since their last major bilateral meeting a year ago [see p 362, 1983]. *In their discussions they took fully into account the position of the British Government as set out in the debate in the House of Commons on 2 July 1984* [see pp 243-5]; *the report of the New Ireland Forum* [see pp 157-60]; *and the proposals of constitutional democratic parties in Northern Ireland as set out in documents published in recent months.*[1]

The Prime Minister and the Taoiseach agreed that it was a major interest of both their countries, as well as of both the majority and minority communities in Northern Ireland, that there should be lasting peace and stability in Northern Ireland.

The Prime Minister and the Taoiseach agreed on the need for efforts to diminish the divisions between the two communities in Northern Ireland and to reconcile the two major traditions that exist in the two parts of Ireland.

The Taoiseach also reaffirmed that it remained the wish of the Irish Government that the two parts of Ireland should come together by freely negotiated agreement and in peace, but recognised that any change in the constitutional status of Northern Ireland as part of the United Kingdom would only come about with the consent of a majority of the people of Northern Ireland.

The Prime Minister reaffirmed that Northern Ireland was part of the United Kingdom and that the majority in Northern Ireland wanted it to remain so. At the same time she confirmed that, if in the future the majority of the people of Northern Ireland clearly wished for and consented to a change in the constitutional status of Northern Ireland, the United Kingdom Government would put forward and support legislation to that end in the British Parliament.

The Prime Minister and the Taoiseach agreed that:

1 *any attempt to promote political objectives by means of violence or the threat of violence must be rejected, as must those who adopt or support such methods;*

2 *the identities of both the majority and the minority communities in Northern Ireland should*

[1]The Ulster Unionist Party put forward proposals in April in a discussion paper, *The Way Forward: Devolution and the Northern Ireland Assembly* (see pp 245-6) and the Democratic Unionist Party and the Alliance Party both made submissions in June to the Devolution Report Committee of the Northern Ireland Assembly which is examining how the Assembly might be strengthened and progress made towards legislative and executive devolution. These proposals are all reproduced in an interim report of the committee published in October, *Northern Ireland Assembly. First Report from the Devolution Report Committee*. HMSO, Belfast, £4·50. ISBN 0 337 20244 3.

be recognised and respected and reflected in the structures and processes of Northern Ireland in ways acceptable to both communities;

3 *the process of government in Northern Ireland should be such as to provide the people of both communities with the confidence that their rights will be safeguarded.*

4 *co-operation between their two Governments in matters of security should be maintained and where possible improved.*

The Prime Minister and the Taoiseach agreed that in the light of their discussion there should be close and continuing dialogue on these subjects between the two Governments in the framework of the Anglo-Irish Intergovernmental Council, with a view to a further meeting between them within the coming months.

House of Commons Statement

In a statement in the House of Commons on 20 November (*Hansard*, Vol 68, No 11, cols 150-9) which broadly followed the joint communiqué, the Prime Minister said that there had been a thorough and realistic exchange of views on developments in relation to Northern Ireland. In reply to questions she said that the Government had not yet succeeded in finding a political framework that was acceptable to both the minority and majority communities; she hoped that all Northern Ireland political parties would play a constructive part in trying to seek one. Mrs Thatcher said that the Government was right to hold bilateral meetings with the Taoiseach and would continue to do so. It rejected the three proposals in the report of the New Ireland Forum and the majority in Northern Ireland knew that the Province would continue to be part of the United Kingdom unless it wished otherwise. That guarantee was enshrined in legislation. It gave confidence to the majority community and on that basis the Government hoped that talks could be started between the parties which fully respected the rights of minorities. Mrs Thatcher said that Dr FitzGerald had been adamant in his condemnation of violence and was aware of the need for greater co-operation against terrorism.

Taoiseach's Press Conference

Speaking to a press conference after the meeting, Dr FitzGerald described the talks as extensive and constructive and said that a serious analysis of the problem had been undertaken in a down-to-earth and realistic manner. Much work remained to be done and there would be continuing dialogue within the framework of the Anglo-Irish Intergovernmental Council. There was need for both a stable political framework and a new security framework in Northern Ireland. The British and Irish Governments had started a process which he hoped would lead to an enduring solution. In answer to questions Dr FitzGerald said that the Irish Government had not had a complete considered reaction to the Forum report and emphasised that the only definite proposals in the report were the 'elements of a framework for a solution' (see p 159). The report made it clear that it was open to other views. Dr FitzGerald said that the present security structures in Northern Ireland did not supply people with the protection they were entitled to. Direct rule was inherently temporary and unsatisfactory.

Gibraltar

Under an agreement between Britain and Spain reached in Brussels on 27 November, Spanish restrictions on the movement of people, vehicles and goods between Spain and Gibraltar will be lifted in early 1985.

The discussions in Brussels were the latest in a series of meetings between the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, and the Spanish Foreign Minister, Señor Fernando Morán. Throughout the talks, Sir Geoffrey kept in the closest touch with the Chief Minister of Gibraltar, Sir Joshua Hassan.

British-Spanish Agreement

In their communiqué, issued on 27 November, Britain and Spain agreed to apply the 1980 Lisbon agreement (see pp 110-11, 1980) by not later than 15 February 1985. This will involve simultaneously:

1 The provision of equality and reciprocity of rights for Spaniards in Gibraltar and Gibraltarians in Spain. This will be implemented through the mutual concession of the rights which citizens of European Community countries enjoy, taking into account any transitional periods and derogations agreed between Spain and the European Community. The necessary legislative proposals to achieve this will be introduced in Spain and Gibraltar. The communiqué adds: 'As concerns paid employment, and recalling the general principle of Community preference, this carries the implication that during the transitional period each side will be favourably disposed to each other's citizens when granting work permits.'

2 The establishment of the free movement of people, vehicles, and goods between Gibraltar and the neighbouring territory.

3 The establishment of a negotiating process aimed at overcoming all the differences between Britain and Spain over Gibraltar and at promoting mutually beneficial co-operation on economic, cultural, touristic, aviation, military and environmental matters. The communiqué continues: 'Both sides accept that the issues of sovereignty will be discussed in that process. The British Government will fully maintain its commitment to honour the wishes of the people of Gibraltar as set out in the preamble of the 1969 Constitution.'[1]

4 An undertaking by the Spanish Government to take the early action necessary to allow safe and effective air communications in the Gibraltar region.

[1]This states: 'Her Majesty's Government will never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another state against their freely and democratically expressed wishes.'

5 The setting-up of joint British-Spanish working groups.

British Government Statement

Reporting to the House of Commons on 28 November (*Hansard*, Vol 68, No 17, cols 927-35), Sir Geoffrey Howe said that the restoration of direct communications would mean free movement of people, vehicles and goods between Spain and Gibraltar. From the date of implementation, Spaniards in Gibraltar would enjoy those European Community rights which would otherwise become available only from the day of Spain's accession to the Community. Gibraltarians in Spain would enjoy similar rights. Legislative proposals necessary for this would be introduced in Gibraltar and Spain. This arrangement, however, would not affect the derogations and transitional periods which would have been agreed between Spain and the Community in the context of Spanish entry.

Sir Geoffrey said that on the day communications were restored, he and the Spanish Foreign Minister would meet to begin the negotiating process aimed at overcoming all the differences between Britain and Spain on Gibraltar and at promoting co-operation on a mutually beneficial basis. Sir Joshua Hassan would also be present. Noting that the Spanish side would raise the question of sovereignty as it was entitled to do under the agreement, Sir Geoffrey added: 'Yesterday's communiqué makes it equally plain that the British Government will fully maintain their commitment to honour the wishes of the people of Gibraltar, as set out in the preamble to the Gibraltar Constitution. That commitment stands unchanged.'

Referring to practical co-operation between the people of Gibraltar and the neighbouring region, Sir Geoffrey said that the British and Spanish Governments and the Chief Minister of Gibraltar were agreed on its importance, since it would provide an opportunity for Gibraltar's economy to develop and diversify.

In answer to a question, Sir Geoffrey rejected any parallel between the case of Gibraltar and that of the Falkland Islands; they were historically, legally and constitutionally quite different, and there was a complete contrast between the conduct of the two countries concerned – Spain and Argentina. Spain was an ally in the North Atlantic Treaty Organisation and a prospective partner in the European Community, and successive Spanish governments had stated that they would pursue their claim by peaceful means. Moreover, the Spanish Foreign Minister had spoken publicly of the need to respect the interests and the wishes of the people of Gibraltar. In contrast Argentina had in 1982 invaded and taken possession of the Falkland Islands by force.

Other Reactions

Speaking in a press conference on 27 November, Señor Morán said that the agreement with Britain marked a very important point in Spanish-British relations and a historic step in the solution of the Gibraltar problem. Although Spain felt that the end of the problem would mean a return of Gibraltar to Spanish sovereignty, this needed to be achieved 'exclusively by peaceful means'. Spain 'did not underestimate at all the rights and interests of Gibraltar, but rather respected them totally and regarded them as the route to the solution of all the problems'.

On the same day, Sir Joshua Hassan said that he had been consulted closely throughout the negotiations and that the Gibraltar Government regarded the agreement as an honourable outcome. 'We trust and believe that it will be the first step in a process of normalisation and fruitful co-operation between Gibraltar and the immediate vicinity for the benefit of all.' On the question of sovereignty, Sir Joshua drew attention to the statement in the communiqué that the British Government would fully maintain its commitment to honour the wishes of the people of Gibraltar.

Background

Gibraltar was ceded to Britain under the treaty concluded between Spain and Britain at Utrecht in 1713. This position was reaffirmed in the 1783 Treaty of Versailles, and in 1830 Gibraltar became a Crown Colony.

In 1963 the United Nations Committee of 24 on decolonisation discussed the issue of Gibraltar and a year later adopted a resolution inviting Britain and Spain to seek a diplomatic negotiation of the issue. This decision was endorsed in December 1965 by a United Nations General Assembly resolution calling upon Britain and Spain to begin talks. Three rounds of Anglo-Spanish talks took place in May, July and October 1966, but little progress was made. In 1967 a referendum was held in Gibraltar, 12,138 people voting to retain the link with Britain and only 44 supporting a change to Spanish sovereignty; nearly 96 per cent of the electorate voted.

In support of a campaign to secure the return of Gibraltar to Spain, the Spanish authorities began in 1964 to impose restrictions on movement across the land border of Gibraltar and in 1969 closed it completely, discontinued the ferry service between Algeciras and Gibraltar and closed all public telephone links between Spain and Gibraltar. Telephone traffic between Gibraltar and other countries, routed through Spain, was unaffected.

Exploratory talks between Britain and Spain were resumed in 1971 but proved inconclusive. In December 1973 a consensus of the United Nations General Assembly urged Britain and Spain to negotiate towards a final solution of the question of Gibraltar's future. On 5 December 1974 a resolution urging the two Governments to begin negotiations without delay was unanimously adopted in the General Assembly's Fourth Committee; the British representative explained in a note that in the view of the British Government the stage had not been reached where a common basis had emerged on which substantive negotiations could begin.

The restoration of democracy in Spain after General Franco's death in 1975 brought hopes that restrictions on Gibraltar would be lifted. Telephone links between Gibraltar and Spain were restored at Christmas 1977, and in April 1980

the British and Spanish Foreign Ministers, meeting in Lisbon, agreed to re-establish direct communications between Gibraltar and Spain and simultaneously to begin negotiations aimed at overcoming all the differences between Britain and Spain on Gibraltar. In the Lisbon Declaration Britain maintained its commitment, embodied in the preamble to the 1969 Gibraltar Constitution, to honour the freely and democratically expressed wishes of the people of Gibraltar. Spain, while reaffirming its own position on the 're-establishment of the territorial integrity of Spain', restated its intention that in the outcome of the negotiations 'the interests of the Gibraltarians should be fully safeguarded'.

Although Britain completed its preparations for the reopening of direct communications by 1 June 1980 as envisaged by the Lisbon agreement, the Spanish Government was unable to give a firm date for its implementation. In July 1982 the Spanish authorities lifted some of the restrictions by allowing some crossings on foot for humanitarian reasons.

The Future of Hong Kong

The British-Chinese agreement on the future of Hong Kong after 1997 was approved without a division by the House of Commons on 5 December and by the House of Lords on 10 December. The report of the Assessment Office set up to analyse the views of the people of Hong Kong on the agreement concluded that most find it acceptable, a conclusion endorsed by the monitoring team created to observe the work of the Office. In November the Hong Kong Government published a White Paper on the future development of representative government in the territory.

The agreement, which was initialled by Britain and the People's Republic of China in Peking on 26 September (see pp 368-74) provides for Hong Kong[1] to maintain its economic system and way of life for 50 years after 1 July 1997 as a Special Administrative Region of China.

PARLIAMENTARY DEBATE

Foreign and Commonwealth Secretary's Speech

Opening a debate on the draft agreement on 5 December (*Hansard*, Vol 69, Nos 22 and 23, cols 389-472), the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that Hong Kong owed its success to the spirit of free enterprise and resourcefulness that had for generations been displayed by the people of all races there. Britain's firm objective had been the preservation of that way of life, its rights and freedoms, and the prosperity and stability on which it had been built. In its negotiations with the People's Republic of China, Britain had aimed to reach agreement on arrangements which would be acceptable to the people of Hong Kong and enable them and the international community to have confidence in the future of the territory.

Negotiations

Sir Geoffrey said that it was clear from the outset that such arrangements would also need to be acceptable to the Chinese Government. In the early part of the negotiations, over a period of 12 months, the British Government had looked for ways that could have allowed a British administration to continue in Hong Kong after 1997 – on the basis of British recognition of Chinese sovereignty. 'But it became quite clear that a solution along those lines would not be acceptable to the Chinese Government, and that if we had persisted in seeking it, the talks would have broken down. . . . We concluded that a breakdown in negotiations, with all the uncertainties that that would have created, could not in the long view offer satisfactory prospects for the people of Hong Kong, and for its future stability and prosperity.' Britain had therefore decided, with the agreement of the Governor and of the Executive Council of Hong Kong, to seek to negotiate 'arrangements under which British administration . . . would cease after 1997 and Hong Kong, though becoming a part of China, would retain her distinctive way of life as a Special Administrative Region of China'. The agreement would not have been possible without the vision and realism that had characterised the approach of the Chinese Government. Once it was signed, Britain would bring forward legislation early in 1985 to provide for termination of British sovereignty in 1997 and powers to make other changes to the law, including the nationality law, which would be necessary.

The Draft Agreement

Turning to the draft agreement, Sir Geoffrey stressed that the joint declaration and its annexes constituted a legally binding international agreement. As the Chinese Foreign Minister, Mr Wu Xueqian, had recently informed the Standing Committee of the National People's Congress in Peking, the joint declaration was a form of international treaty with the same force in international law. The policies set out in the agreement, added Sir Geoffrey, would be stipulated in a Basic Law to be drafted by the Chinese Government and passed by the National People's Congress. He was confident that the Chinese leaders would have noted the hope, widely expressed in recent weeks, that the people of Hong Kong would be fully consulted about the drafting of the Basic Law. 'The Chinese Government have indicated that the people of Hong Kong will be consulted, though the exact form of that consultation has yet to be made clear. I welcome that indication. In that and in other respects, we stand ready to extend to the Chinese our fullest co-operation.'

After outlining the main provisions of the agreement, Sir Geoffrey pointed out that the next 12 years were crucial for Hong Kong and that there would be a need for close co-operation between Britain and China. The Joint Liaison Group provided for by the agreement (see p 373) was the

[1]For further information on Hong Kong, see COI reference paper, *Hong Kong*, No 80/84.

best means of achieving this and of avoiding abrupt changes in 1997 that could disturb the continuity of life. 'It is our firm intention that the Group should carry out its functions so as to build confidence between the British and Chinese Governments on all matters relating to the agreement, as well as building confidence among the people of Hong Kong.' The Group would be an organ of liaison, not of power, and it would take no part in the administration of Hong Kong. Although its exact composition had still to be determined, the British delegation would include officials from the Hong Kong Government, and the fullest consultation with the Executive Council and other representatives of the people of Hong Kong would continue.

Assessment of Hong Kong Opinion

On the work of the Assessment Office set up to analyse the views of Hong Kong people on the draft agreement (see p 439), Sir Geoffrey said that it was a considerable achievement that such a clear and comprehensive report, as well as that of the monitoring team, had been compiled, forwarded and published within a period of two weeks. The Office's conclusion that most of the people of Hong Kong favoured the draft agreement was an authoritative one, based upon careful analysis of the whole range of submissions and statements received. A very vigorous and public debate had taken place in Hong Kong, and all the principal representative bodies, along with the overwhelming majority of organisations and groups and most of the individuals expressing a view, had accepted the draft agreement.

Dealing with the fact that the draft agreement could not be amended, Sir Geoffrey said that the normal practice in negotiating international agreements was that, once initialled, they were not open to amendment. 'There is good reason for that. It is that in such cases any attempt to change the draft agreement would risk disturbing the whole delicate balance that had been established. So it was in the present case. That is why we took such trouble to consult the Executive Council at every turn during the negotiations.' The subsequent assessment exercise had enabled people in Hong Kong to express their anxieties about the draft agreement and the report had given a clear account of them. 'That will be of enormous value to us during the process of implementing the agreement in the years ahead and during the discussions we shall have in the future with the Chinese Government through the Joint Liaison Group. That has been an added advantage of the whole exercise.'

Nationality

The question of nationality had been one of the most difficult subjects in the negotiations since the Chinese Government had not been prepared to agree that anyone born in Hong Kong after 1997 should acquire British nationality by virtue of their connection with Hong Kong. Although it had not been easy to reconcile the conflicting interests involved, agreement had been reached that those people who were British Dependent Territories citizens before 1 July 1997 could retain during their lifetime an appropriate status which by definition would be a form of British nationality. Britain had been unable to ensure that such people would be able to transmit that status to their children for one generation thereafter. Although this had been a disappointment to many Hong Kong people, the compromise arrived at was the best that could be achieved.

Observance of the Agreement

Sir Geoffrey, noting that some people had asked whether there could be any guarantee that the Chinese Government would keep the agreement, said that there was no such thing as absolute certainty in relations between sovereign states. Nevertheless he believed that everyone could have confidence in the observance of the agreement. Britain had a strong interest in adhering to it and making it work and China had a matching interest. 'First, China has and is likely to continue to have strong economic reasons for wishing to see Hong Kong remain stable and prosperous. Secondly, and perhaps even more important, the whole course of Chinese reunification, which has always been a central policy of the Chinese Government, is likely to be connected to the success of the agreement.' Both countries would also wish to maintain their reputation by upholding the agreement in the spirit in which it was made.

Constitutional Arrangements

Sir Geoffrey welcomed the White Paper on Hong Kong's future constitutional arrangements published by the Hong Kong Government in November (see p 441). 'It provides for substantial development towards representative institutions in the 1985 elections, and for the prospect of further development in this direction following a further review in 1987, which will consider also the question of direct elections. At the same time it rightly avoids sudden and dramatic changes, which could unsettle the very stability that all our efforts are designed to secure.'

Conclusion

The negotiations, Sir Geoffrey concluded, had resulted in a bold and imaginative plan for the future of the territory. The concept of maintaining two separate political, economic and social systems within one country was a far-sighted one. 'The success of this agreement will depend not only on China and the United Kingdom but to a very large extent on the people of Hong Kong and on their willingness to make it work. . . . I believe that there is every chance that in the twenty-first century Hong Kong will continue to be the striking financial, economic and social success that it is today. We shall certainly continue fully, responsibly and effectively to discharge our obligation for the administration of Hong Kong until 1997. Thereafter we shall follow the fortunes of the Hong Kong Special Administrative Region with the utmost attention and interest.'

Opposition Views

Speaking on behalf of the official Opposition, Mr Denis Healey said that the draft agreement had shown an admirable combination of political real-

ism and diplomatic skill in both Britain and China, and he hoped that it would be accepted by the House. Although it was somewhat disturbing that the assessment exercise had shown that as many as one in three of the 1,000 individuals expressing their views had opposed the agreement, it was difficult to dispute the report's conclusion that the agreement had to be accepted, given the fact that nearly all the people of Hong Kong acknowledged the inevitability of China having sovereignty in 1997 and the impossibility of changing an agreement made by two governments outside Hong Kong. The House nevertheless had to take account of the clear misgivings that remained in Hong Kong, and Britain had to accept its responsibility to do what it could to ensure the agreement's success. There was also a strong case for meeting the views of the unofficial members of the Legislative Council that an annual report on developments in the territory should be published, and the House of Commons should, if it wished, debate it.

Mr Healey also thought that it would be useful if some means could be found of associating the people of Hong Kong in the work of the Joint Liaison Group. Moreover, it was not unnatural that Hong Kong people wanted representation on the Chinese body that would draw up the Basic Law.

The Liberal Party spokesman, Mr Russell Johnston, welcomed the agreement and the approach of the Chinese Government. He supported the idea of an annual review of developments in the territory and urged the British Government to commit itself to a debate each year in order to examine progress on the agreement. He thought that the Hong Kong people should participate in the drawing-up of the Basic Law.

Government Reply

Replying for the Government, the Minister of State at the Foreign and Commonwealth Office, Mr Richard Luce, said that the duty of the British Government had been to do its best for the people of Hong Kong and the draft agreement, which had been widely welcomed in the House, attempted to achieve just that. It provided Hong Kong with a high degree of autonomy and enabled the territory to administer itself and run its own economic, financial and commercial affairs after 1997.

Dealing with points raised in the debate, Mr Luce said that the Government would take the idea of an annual report to the House of Commons seriously and that some system of regular accountability to the House would be of major importance to the people of Hong Kong over the next twelve and a half years. The Government would also carefully bear in mind the reservations and anxieties expressed in Hong Kong during its negotiations with the Chinese Government on the agreement's implementation.

On the question of nationality, Mr Luce said that there was concern in Hong Kong about the possibility of statelessness arising as a result of the agreement. Britain would fully comply with its obligations under the 1961 Convention on the Reduction of Statelessness, and the British Government would provide a form of British nationality for people who might otherwise become stateless.

REPORT OF THE ASSESSMENT OFFICE

In its report, published on 29 November,[1] the Assessment Office says that every sector of the Hong Kong community had been given the opportunity to comment on the draft agreement and had expressed a view either individually or collectively. The views received on every aspect of the draft agreement, taken together, represented and reflected 'the opinion of a very wide cross-section of the community' and provided 'an effective and credible basis on which to make an assessment'. The report states: 'After the most careful analysis and consideration of all the information received, the Office has concluded that most of the people of Hong Kong find the draft agreement acceptable.' All but a few had acknowledged the inevitability of the reversion of sovereignty over Hong Kong to China in 1997. 'The proposition that an agreement between Britain and China on the future of Hong Kong is preferable to there being no agreement is generally understood and accepted. Furthermore, although anxieties and reservations have been expressed by many who have submitted their views, the detailed provisions of the draft agreement have been welcomed, whilst the assurances that they will be implemented have been noted.'

The Assessment Office was formally established on 1 September. Its terms of reference required it to receive all views expressed on the draft agreement; to collate, summarise, analyse and assess all such views; and to submit to the Governor a report including factual summaries of views expressed and an overall assessment of the extent of acceptance by the people of Hong Kong of the agreement.

Process of Consultation

The Office came into full operation on 26 September, the date on which the draft agreement was published. On 27 September and 2 October the Office placed paid advertisements in all the major Hong Kong English- and Chinese-language newspapers inviting people either to send their views in writing or to express them verbally through representative bodies or other community organisations. Follow-up advertisements appeared on 17 and 19 October, stressing that personal particulars would not be published or disclosed and stating that letters from individuals would be destroyed by mid-1985 in order to preserve confidentiality. On 1 October the Hong Kong Government announced that the final date for views to be sent to the Office would be 15 November.

The Hong Kong Government published a total of 2·7 million copies of the White Paper containing the draft agreement, one million in English and 1·7 million in Chinese. Copies were sent to members of representative bodies and selected community organisations, commercial firms and professional bodies, inviting them to comment.

[1] *Hong Kong: Arrangements for testing the acceptability in Hong Kong of the draft agreement on the future of the territory.* Cmnd 9407. HMSO, £6. ISBN 0 10 194070 X.

The bulk of the printed copies was distributed free to the public.

In its report the Office notes that coverage of the draft agreement in the media was widespread and sustained. Virtually every major newspaper, magazine and periodical, and the electronic media covered the main and specific issues in the agreement, and the media network 'made a major contribution towards the general public's broad understanding of the draft agreement itself and of general reaction to it'. The Office monitored and assessed, from a total of eight English and 25 Chinese newspapers and magazines, 273 reports of discussions, debates, seminars, public speeches and interviews; 201 editorials; 416 feature articles; and 104 letters to the press on the White Paper. It also assessed 55 hours of public affairs programmes on television and radio.

Some 680 organisations and groups presented their views in writing to the Office. In addition, over 1,800 letters were received from the general public.

Views Expressed

All Hong Kong's representative bodies supported the agreement. At a press conference on 28 September the Executive Council endorsed the agreement and commended it to the people of Hong Kong. On 15 and 16 October the Legislative Council debated the acceptability of the agreement and reached the same conclusion as the Executive Council. The Urban Council and the 18 District Boards all welcomed the agreement, as did the Heung Yee Kuk, which advises the Hong Kong Government on matters affecting the wellbeing of the people of the New Territories.

Out of a total of 430 organisations submitting comments to the Office, 334 placed on record that in the views of their members the draft agreement was acceptable. Thirty-three bodies rejected the agreement, and the remainder gave no clear indication of their position. The Office says: 'From the response it is clear that the most influential organisations from the professional and business sectors, the religious community, the student population and the Civil Service, and amongst pressure groups and trade unions have come out generally in support of the draft agreement.'

About 250 submissions were received from groups sharing a common background but not forming an organisation able to express a representative corporate view. Some 6,000 people expressed their views in this way and generally indicated clear support for the draft agreement: five groups of some 300 people opposed it.

Of the 1,041 individuals who expressed an opinion on the question of overall acceptability, 677 indicated positive acceptance and 364 rejected the draft agreement. Various independent opinion surveys were carried out. In one, based on a random sample of 6,124 respondents and organised by one of the largest market research companies (Survey Research Hong Kong Ltd), 81 per cent said that the agreement was either very good or quite good for the people of Hong Kong.

On the question as to whether there is a 'silent majority' whose views have not been heard, the report says: 'The Office is convinced by the evidence available that the views of the so-called "silent majority" have been reflected in the response received, and that those who have suggested this is not so are unaware of the range and depth of the response from the media, from organisations and groups and from individuals and also clearly in the independent opinion surveys. . . . The readings obtained by the Office from the views expressed in each of the main categories are consistent with one another. The overall picture which emerges can reasonably be said to be one which gives a true indication of Hong Kong opinion.'

Range of Views

Favourable response to the draft agreement, notes the Office, ranged from outright praise to qualified acceptance and the acknowledgment that, in the light of the alternatives, it was the best that could be hoped for. Adverse reaction varied from condemnation of certain parts of the draft agreement to total rejection.

Those favouring the agreement saw it as a means of providing a way to restore sovereignty to China peacefully, removing uncertainties about the future, providing a sound basis for continued prosperity and stability, and preserving Hong Kong's lifestyle for 50 years. The concepts of one country, two systems and the autonomous nature of the Hong Kong Special Administrative Region were praised as imaginative and far-sighted.

Others, although favouring the draft agreement, expressed reservations about China's ability to implement its provisions, and stressed the importance of incorporating the main principles of the draft agreement in the Basic Law with clarity and in detail. They also insisted that Hong Kong people should participate in the drafting of the Basic Law and in the work of the British-Chinese Joint Liaison Group and the Land Commission (see p 374).

The small number of organisations rejecting the agreement mostly challenged its validity by questioning the right of Britain and China to determine the future of Hong Kong in this way. They argued either for the retention of the *status quo*, or for Hong Kong to have the right of self-determination, or that negotiations should have been held with Taiwan[1] rather than with China.

The Office concludes: 'The range of views expressed . . . reflects the uniqueness and complexity of the position in which the people of Hong Kong find themselves. The calmness with which the draft agreement was received and the reasoned response to it underlines its overall acceptability. There is a general feeling of relief and a wish to build Hong Kong's future on the foundation provided by the draft agreement.'

REPORT OF THE INDEPENDENT MONITORING TEAM

The Monitoring Team, which started its work on 27 September, unreservedly endorses the Office's conclusion that most of the people of Hong Kong

[1]Britain does not recognise the claim of the Chinese Nationalists on Taiwan to be the Government of China.

have found the agreement to be acceptable, while noting that the overwhelming message of acceptance was accompanied by an 'agenda' of reservations, qualifications and questions to be clarified or resolved in the years ahead.

The Team's terms of reference were to observe the work of the Assessment Office and to see whether it had discharged its duties properly, accurately and impartially. The Team examined the organisation of the Office and the instructions to its staff, became acquainted with its individual members, and observed how they were carrying out their duties. In addition, it made spot checks on the way in which the Office was implementing its procedures; scrutinised all the letters, submissions, media reports and articles received; and attended, as observers, the regular meetings held twice a week by the Office to review progress and consider the latest batches of analytical assessments. The Team also attended a representative selection of the meetings at which the draft agreement was discussed, thereby enabling it to listen to a wide range of views coming from the Hong Kong community.

The Team concludes that the Office performed its duties impartially, both in the manner in which it discharged its terms of reference as a whole and in the balanced way it assessed the views of those willing and unwilling to accept the draft agreement. The Office also faithfully followed the prescribed procedures.

On the issue of confidentiality, which received considerable local publicity, the Team states: 'We do not believe that there is any evidence to show that the confidentiality factor had a damaging effect on the assessment task as a whole; but we also take the view that the public concern about confidentiality could have been avoided, and that the assurances and safeguards announced in mid-October should have been publicly conveyed at an earlier stage through the Assessment Office advertisement and in other ways.'

The Team points out that there had been no previous experience in Hong Kong of such a massive consultation and assessment exercise. Noting that there had been some sharp public criticism of the value of the assessment task to which the Office itself could not reply, it says that in the light of this criticism more should have been done earlier at the political level to explain, as well as to assert, the importance of consulting and assessing the views of Hong Kong on the draft agreement in all its aspects. Nevertheless, the view that the assessment was of no value 'was certainly not shared by the many Hong Kong people, in different parts of the community, whom we were able to hear discussing, with care and concern, the draft agreement as a whole and all its contents'.

REPRESENTATIVE GOVERNMENT

Following the publication in July of the Hong Kong Government's proposals for the further development of representative government in the territory (see pp 292-3), a two-month period was allowed for public consultation. In November the Hong Kong Government published a White Paper setting out its intentions for 1985 with regard to the next stage of development of representative government at the central level.[1] The plans have been framed to take account of the provisions of the British-Chinese agreement on the future of Hong Kong.

In September 1985, 12 unofficial members of the Legislative Council will be elected by an electoral college composed of all members of the Urban Council, the new Regional Council and the District Boards: the District Board members will be grouped into ten geographical constituencies while members of the Urban Council and the Regional Council will form two special constituencies. Another 12 members will be elected by nine functional constituencies consisting respectively of representative organisations from commerce, industry, banking, trade unions, social services, medicine, education, the legal profession, and engineering and associated professions. The remainder of the Legislative Council will consist of 22 unofficial members appointed by the Governor and ten official members including the Chief Secretary, the Financial Secretary and the Attorney General. A review to assess progress made in the development of representative government will be carried out in 1987 and further consideration will be given to direct elections in the context of the review.

No conclusions were reached about the development of the Executive Council or the introduction of a ministerial system and these, too, will be considered further at a later stage, as will the position of the Governor as President of the Legislative Council.

Third Lomé Convention

The third Lomé Convention, an aid, trade and co-operation agreement between the European Community and 65 African, Caribbean and Pacific countries, was signed in Lomé, Togo, on 8 December. In addition to improving the main features of its predecessor, the new Convention, which will cover the years 1985 to 1989, contains new measures to encourage private investment, maritime co-operation and fisheries.

Previous Conventions

The 1957 Treaty of Rome, which established the European Community, introduced the concept of association with the Community for those developing countries and territories having special relations with member states. British entry into the Community in 1973 necessitated further consideration of Community relations with the developing countries since Britain had long-established links with such countries through the Commonwealth. During the accession negotiations the British Government was concerned that its membership of the Community would not be detrimental to

[1] *White Paper: The Further Development of Representative Government in Hong Kong.*

Commonwealth members in Africa, the Caribbean and the Pacific and that the interests of those dependent upon the export of certain commodities (for example, sugar) would be protected.

The first Lomé Convention, which was signed in 1975 and which expired in March 1980, provided for the free entry into the Community of all industrial products and most agricultural products imported from the 44 African, Caribbean and Pacific (ACP) signatories. Special protocols safeguarded the interests of those ACP countries dependent upon the export of such agricultural products as beef, bananas, rum and sugar. Countries producing cane sugar were granted indefinite access to the Community market for nearly 1·3 million tonnes annually, with minimum prices fixed in line with Community internal prices. The Convention also provided poor countries with a guarantee against excessive fluctuations in the prices of a number of agricultural commodities (the STABEX system). In addition, the Convention provided concessional financial assistance from the Community's European Development Fund and loans from the European Investment Bank.

The second Convention, which was signed in October 1979 with 57 ACP countries and which came into force in 1981, is due to expire on 28 February 1985. It provided for improved access to the Community for various agricultural products including rum and beef, and the revised banana protocol committed the Community to support a joint ACP producer organisation for bananas. It extended the list of commodities covered by the STABEX system from 34 to 44 and created a special fund (SYSMIN) to permit the financing (under a special form of loan) of projects designed to maintain the capacity of mineral producers whose production and income suffers as a result of temporary disruptions beyond their control. The amount of Community aid was increased, from over £2,000 million to over £3,300 million, as was lending by the European Investment Bank.

The New Convention

Negotiations between the Community and the ACP countries on the successor to the second Convention opened in October 1983 and were concluded on 22 November 1984. Of its 65 ACP signatories (now including Mozambique), 35 are members of the Commonwealth. The Third Convention (Lomé III) links the Community with all of independent black Africa with the exception of Angola, as well as Britain's former dependencies in the Caribbean and the Pacific.

Aid

Under the new Convention the amount of Community aid from the European Development Fund will be about £4,465 million, of which £4,405 million will go to the African, Caribbean and Pacific signatories and £60 million to the dependent territories of member states. Britain's share of this will be £740 million. There will also be European Investment Bank lending of up to £655 million.

The new Convention provides for increased dialogue between the Community and each ACP state to ensure that Community aid is put to the best possible use within the context of the recipient countries' own policies: in addition, there will be improved co-ordination between Community aid and the bilateral aid of individual member states.

Priority will be given, where appropriate, to agriculture and food production in the ACP states in order to increase the level of food self-sufficiency. It is intended that the required increase in rural productivity should be achieved through transfer of appropriate technology, a better balance between food crops and export crops and development of local processing of agricultural produce.

There is a new section stressing the priority to be given to measures to control drought and desertification.

There is also a special section on the development of fisheries, the aims being to encourage the rational use of fisheries resources and to increase fishing's contribution to food supply and rural development. Community aid is designed to support the purchase of fishing vessels and the processing and marketing of products.

Trade

Basic trade arrangements will remain substantially unchanged. The ACP countries will continue to be allowed duty-free access for all their industrial and the large majority of their agricultural exports to the Community, subject to a safeguard clause which, however, has never been invoked. The Community also agreed to reply within six months to any ACP request for improved access for agricultural products, with particular reference to concessions granted to developing third countries.

Commodities and Export Earnings

A number of changes to the STABEX scheme have been made, including the reduction of eligibility thresholds and the extension of the scheme to dried bananas, mangoes and karite oil. The Community has agreed to rule within six months on any ACP application to include a new product in the system.

The SYSMIN scheme is being amended to enable more ACP states to benefit. The list of eligible products remains unchanged.

A new joint committee is being set up to monitor co-operation in the area of agricultural commodities.

Industrial Co-operation

Under the first Convention a Centre for Industrial Development was set up to act as a link between European manufacturers and firms in ACP states interested in economic development. These arrangements were consolidated in the second Convention and are being carried over largely unchanged into Lomé III.

Investment

In Lomé III the Signatories acknowledge the importance of private investment and have undertaken to stimulate it by granting fair and equitable treatment to investors and creating stable conditions favouring investment. Both sides are com-

mitted to examining the possibility of a joint Community-ACP system to guarantee and insure investments as a complement to existing national systems, and to investigate measures to facilitate and increase the flow of private capital to the ACP countries.

Shipping

The Community has undertaken to help the development of ACP countries' shipping services through technical and financial assistance. Both sides have also agreed to monitor ship safety and pollution. Lomé III also attaches importance to the Code of Conduct for Liner Conferences (see p 457) and invites Community member states and the ACP states to join, ratify and implement the relevant United Nations Convention as soon as possible.

Human Rights

The preamble to Lomé III contains a reaffirmation of the signatories' adherence to the principles of the United Nations Charter and their faith in fundamental human rights. There is also a separate joint declaration reiterating the deep attachment of the contracting parties to human dignity and their reaffirmation of their commitment to work for the elimination of all forms of discrimination on grounds of ethnic origin, race, nationality, colour, sex, language or religion.

Expenditure on Aid and Other Overseas Programmes

Despite continuing constraints on public expenditure, Britain's spending on overseas aid in 1985-86 will remain the £1,130 million planned in the 1984 White Paper on public expenditure, though there will be savings in other Foreign and Commonwealth Office programmes in order to accommodate rising overseas costs. Britain has announced that it is giving notice of withdrawal from the United Nations Educational, Scientific and Cultural Organisation.

The question of public expenditure on aid and other overseas programmes was debated in the House of Commons on 22 November (*Hansard*, Vol 68, No 13, cols 417-502).

Government Views

Speaking in the debate, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that, as had been made clear in the Government's autumn financial statement (see p 446), it was necessary to maintain tight control over total public expenditure. The economic recovery over the past three years could all too easily be placed at risk if the Government were to lose sight of this general principle. The consequence of the failure to maintain that central economic policy would be to undermine Britain's capacity to sustain, finance and defend its interests abroad, to play its full part in the Western Alliance and to make a contribution to the needs of the Third World. This was why it would always be unrealistic to consider the aid programme in isolation from the context of public expenditure as a whole. All the programmes for which the Foreign and Commonwealth Office (FCO) was responsible made their contribution to achieving Britain's foreign policy objectives and the balance between all of them had to be kept under review, taking account of the overall expenditure provision for all the department's programmes. In 1985-86, Sir Geoffrey confirmed, this would remain at £1,870 million as planned in the February 1984 public expenditure White Paper (see pp 59-63).

Diplomatic Expenditure

Dealing first with the FCO's own work, Sir Geoffrey noted that the principle of paying for certain of the Office's services had been long established. It was right that these costs should be met, where possible, by increasing revenue rather than by an increase in public expenditure. With this in mind, the standard fee for entry clearance for foreign nationals coming to Britain would be increased from £6 to £10 and a fee of £10 would be introduced to cover part of the administrative costs of issuing entry certificates to Commonwealth citizens. This extra revenue (about £4 million in a full year) would go towards paying for the increasingly large and complex volume of work handled by British diplomatic missions abroad in response to the demands of both trade and tourism. In addition, about ten small consular posts abroad would be closed.

FCO-funded Programmes

Moving on to the FCO's military aid programme of about £12 million, which was a useful arm of foreign policy and consisted of almost equal provision for sending British military personnel overseas to train certain countries' armed forces and receiving trainees from those forces in Britain, Sir Geoffrey said economies of about £500,000 a year had had to be identified here too. Although these would give less scope for responding to requests at short notice, existing commitments would be fulfilled as planned. Similarly, the FCO's information activities, which accounted for about £22 million, could be scaled down by about £1 million without significant loss of effectiveness.

The British Council, Sir Geoffrey acknowledged, had to live in a world of changing costs and faced particular difficulties from inflation in some countries. The Government had, however, judged it right for the Council to absorb part of its risen costs as a contribution towards the overall need to keep public spending within the resources available, and was looking to the Council for £1·2 million of savings – about half of its total rise in costs during the year. This represented only a little more than 1 per cent of the Council's gross revenue from grants-in-aid and receipts from its services, and the Council would be receiving nearly £6 million more in 1985-86 than the original provision established for that year.

The BBC's External Services, too, had had to face some increase in costs and while the Government, as in the case of the British Council, would be looking for savings of about 1 per cent in its total expenditure, there would still be an increased provision for the External Services of about £750,000, with an additional £2 million being provided for the £100 million capital programme, approved in 1981 (see pp 322-3, 1981), to improve audibility.

UNESCO

Britain's membership of international organisations, ranging from the United Nations to the Council of Europe, was an important aspect of foreign policy, Sir Geoffrey said. In the case of the United Nations Educational, Scientific and Cultural Organisation (UNESCO), however, the British Government was not satisfied that value for money was being obtained either for Britain or for the developing world. Britain had long been one of the leaders in seeking reform and earlier in 1984 had put forward a number of practical proposals (see pp 52-4) and said that it would review its position again at the end of the year. Announcing that the review had now been completed, the Foreign and Commonwealth Secretary said that although some progress had been made towards reform, much remained to be done, and the UNESCO General Conference, to be held in the autumn of 1985, would have a key part to play. 'Throughout 1985 we shall continue to work for reform, in co-operation with other countries, as vigorously as we have done this year. But we cannot be confident at this stage that adequate reforms will necessarily have been achieved by the end of 1985, and it would be wrong not to safeguard our position. I am accordingly writing to the Director-General giving him notice of withdrawal. Unless rescinded, this notice would become effective on 31 December 1985. We shall reconsider our position towards the end of next year in the light of the result of the general conference.'

The Overseas Aid Programme

The provision for overseas aid, Sir Geoffrey emphasised, would remain at the previously planned figure of £1,130 million, and within that figure Britain's capacity to provide emergency assistance to Ethiopia (see p 408) and other countries suffering from drought and famine would be fully maintained.[1]

Although some aid programme commitments were affected, as always, by changes in international prices and exchange rates, the effects of such changes, whether positive or negative, had always been absorbed within the total aid allocation. Over the three years to 1985-86 expenditure on the aid programme was expected to increase faster than the rate of inflation in Britain. The programme remained the fifth largest among industrialised countries, and the Government remained committed to maintaining a substantial programme of assistance. In addition, private capital flows could, and did, play a vital and increasing role for many developing countries. Direct investment could make a particularly important contribution to their long-term progress, and Sir Geoffrey reminded the House that Britain had abolished exchange controls in 1979 (see p 241, 1979) with the precise purpose of encouraging investment overseas, not least in developing countries. Direct private investment in such countries had risen from £300 million in 1979 to an average of more than £800 million a year in the subsequent four years.

Commenting that Britain's aid programme was respected across the world for its quality and its achievement, the Minister for Overseas Development, Mr Timothy Raison, said that its basic purpose was to help long-term development by assisting countries to help themselves and to dispense with the need for short-term emergency aid. It was focused on the poorest countries, especially in the Commonwealth, which needed the most assistance; it was based on grants rather than loans, a factor of great value in the present climate of international debt problems; and it embodied an important emphasis on technical co-operation and manpower aid. It was also geared to achieving maximum results, often in collaboration with other donors, and Britain had put the emphasis on increased donor co-ordination, improved appraisal of projects and improved evaluation of their results after they had taken place.

To achieve effectiveness, Mr Raison continued, was crucial and for that reason Britain had placed stress on the European Community's food strategies in African countries and on the policy dialogue within the Lomé Convention, the Community's aid and trade agreement with the African, Caribbean and Pacific countries (see p 441). The next European Development Fund of £4,400 million represented a substantial increase in real terms compared with the previous Lomé Convention and would contribute especially to developments in Africa where it was most needed.

Opposition Views

Expressing his opposition to any cuts in Foreign and Commonwealth Office programmes, including cuts in the financial provision for the British Council and the BBC External Services, the official Opposition spokesman on overseas development and co-operation, Dr Stuart Holland, said what was needed was a more imaginative response from the Government and in particular faster action by the European Community over food aid for Sub-Saharan Africa if further disasters were to be avoided. Deploring the Government's decision to give notice of withdrawal from UNESCO, which would not be welcomed in the Commonwealth, he said reforms might be better achieved by staying in the organisation and working for them rather than by complaining from without that they were not being achieved.

The Liberal Party leader, Mr David Steel, said that, whichever way one looked at the figures, the truth was that for 1984-85 Britain's official contribution to world aid was being cut in real terms, by perhaps between 2 and 3 per cent, because of the combination of real inflation and

[1]For information on Britain's aid programme, see pp 296-304. This article has also been published as a reference paper, *Britain's Overseas Aid in 1983*, COI, No 247/84.

the drop in value of the pound sterling since the figures were first calculated, and this meant that Britain would be contributing, in terms of real resources to the poorer parts of the world in the next financial year, less than it had been doing. On the question of expenditure on the British Council and the BBC External Services, Mr Steel said both organisations had suffered budgetary cuts and trimmings in recent years and the House should not underestimate the damage that further cuts would do.

Speaking for the Social Democratic Party, Mr Roy Jenkins said that cuts in real terms in aid or in any other aspects of the FCO's budget were to be regretted. He wondered what effect the drop in the value of the pound sterling would have on Britain's ability to perform its tasks overseas, whether in providing aid or diplomacy.

Shorter Note

UNITED NATIONS VOLUNTARY FUNDS

Britain has announced pledges totalling £40·55 million for the voluntary funds of the United Nations system in 1985. They include £20 million for the United Nations Development Programme (the United Nations agency for technical advice and assistance), which will help to cover the costs of sending experts to work in developing countries and pay for training, consultancies and equipment; £6·3 million for the United Nations Children's Fund, which is concerned chiefly with mass health campaigns, maternal and child welfare, child nutrition and education; and £3·75 million for the United Nations Fund for Population Activities, which promotes awareness of, and research into, the relationship between population and economic and social development, provides expert advice on population policy formulation, and supports family planning, education and training programmes (see also pp 346-7). The United Nations Relief and Works Agency, which assists Palestinian refugees, will receive £5 million, and the United Nations High Commissioner for Refugees £3·4 million in cash and £2 million in food aid. The United Nations Voluntary Fund for the Decade for Women has been promised £100,000, subject to satisfactory arrangements being made to continue its work beyond the end of the Decade in 1985.

These voluntary contributions to funds giving technical assistance and humanitarian relief will be additional to the share of the budgets of the United Nations and its specialised agencies which Britain pays on a scale of assessment related to members' national income. In 1983 Britain's total contribution to United Nations development agencies and to technical co-operation activities by all United Nations agencies amounted to £54 million.

Source: Overseas Development Administration press notice, 28.11.84.

ECONOMIC AND SCIENTIFIC AFFAIRS

Autumn Economic Statement

The British economy is in its fourth year of steady growth, said the Chancellor of the Exchequer, Mr Nigel Lawson, presenting his autumn statement to the House of Commons on 12 November. He forecast that the year ahead would see further growth arising from investment and export performance, with no sign of any resurgence of inflation. The Government's spending plans were being held at or below the levels announced earlier.

STATEMENT

The Chancellor was making the customary autumn announcement on the Government's plans for public expenditure and changes in National Insurance for the forthcoming financial year (*Hansard*, Vol 67, No 5, cols 415-28). He was also publishing the economic forecast for the next calendar year as required by the Industry Act 1975 (see p 487, 1975). These are brought together in a single document.[1]

Public Expenditure

Mr Lawson said that the Government remained committed to reducing taxation, and therefore to keeping firm control over government spending. Following the public expenditure review, the public expenditure planning total for 1985-86 had been set at £132,000 million (see table), which was within the provisional figure for 1985-86 published in the public expenditure White Paper in February (see p 84). The Government had thus succeeded for the third year running in holding the planning total to the level announced in previous White Papers.

After allowing for inflation, public expenditure in 1985-86 was planned to be broadly the same as had been planned for this year, and below the likely outturn for this year, which had been inflated by the cost of maintaining electricity supplies during the coal strike.[2] With the economy continuing to expand, public expenditure as a percentage of national output ought to fall next year to its lowest level for six years, he said. The revised plans contained a reserve for contingencies of £3,000 million. This was £750 million less than the provisional reserve for 1985-86 allowed for in the February White Paper, when departmental spending plans for 1985-86 had been less well defined, but £250 million more than this year's reserve.

The allocation of this £750 million to specific expenditure programmes, coupled with an increase in forecast receipts from the privatisation programme, had enabled most, though not all, programmes to show an increase in spending over the White Paper figures. However, in order to contain these increases to dimensions compatible with the planning total some hard decisions had been required. Thus, there would be increased spending on the National Health Service, but individual health authorities would be expected to become more efficient and to absorb any pay and price increases within the money made available to them. In addition, important measures had already been announced to cut costs by limitations on prescribing, and there would have to be increases in charges. Again, spending on social security would increase, but a number of new measures would be announced, including substantial savings in supplementary benefit provision for board and lodgings claimants. The 5 per cent abatement of invalidity pension which had applied since 1980 would, however, be restored from November 1985. Increased provision for education would be partly offset by a reduction in spending on student grants.

By contrast, because fewer young people than expected had needed to take up places on the Youth Training Scheme, some of the consequential savings could be applied to expand other employment and training measures, including the Enterprise Allowance Scheme,[1] within a reduced overall total. Other programmes to have reduced provision included domestic assistance to agriculture and housing.

Mr Lawson said that total public spending was planned to remain broadly constant in real terms up to 1987-88, which implied a continuing steady reduction in public spending as a proportion of gross domestic product.

Notes and Coins

Mr Lawson took the opportunity to announce that he had instructed the Bank of England to cease

[1] *Autumn Statement 1984*. HM Treasury. HMSO, £4. ISBN 0 10 201285 7.

[2] In March the National Union of Mineworkers called upon its members (representing practically all of Britain's coalminers) to strike in opposition to the National Coal Board's plans to reduce coal output in 1984-85 by 4 million tonnes. In response a majority of miners withdrew their labour. National Coal Board figures show that at the end of November some 121,000 miners were still on strike out of a total of 189,000. About 21,350 had returned to work since the strike began.

[1] The Enterprise Allowance Scheme was introduced in August 1983 to encourage the growth of new businesses. It enables longer-term unemployed people to claim an allowance (£40 a week) while they start a new business.

Public Expenditure Plans 1985-86 *£ million*

	As planned in February 1984 White Paper	Revised plans	Changes
Ministry of Defence	18,060	18,060	0
Foreign and Commonwealth Office (including aid)	1,870	1,870	0
European Community	550	750	+200
Intervention Board for Agricultural Produce	1,130	1,310	+180
Agriculture	1,020	930	-90
Forestry Commission	60	50	-10
Department of Trade and Industry	1,290	1,360	+70
Department of Energy	570	680	+110
Export Credits Guarantee Department	30	190	+160
Department of Employment	3,250	3,180	-70
Department of Transport	3,660	3,290	-370
Department of the Environment			
Housing	2,610	2,300	-310
Property Services Agency	-100	-90	+10
Other Environmental Services*	3,270	3,250	-20
Home Office	4,540	4,590	+50
Lord Chancellor's Department	550	540	-10
Department of Education and Science	13,450	13,600†	+150
Office of Arts and Libraries	620	640	+20
Department of Health and Social Security			
Health and Personal Social Services	16,270	16,480	+210
Social Security	39,520	39,990	+470
Civil superannuation	1,130	1,070	-60
Scotland	6,720	6,810	+90
Wales	2,650	2,660	+10
Northern Ireland	4,220	4,240	+20
Other departments	2,160	2,130	-30
Nationalised industries	1,140	1,320	+180
Local authority current expenditure not allocated to departments	400	600	+200
Special sales of assets	-2,000	-2,500	-500
Reserve	3,750	3,000	-750
Planning totals	132,100	132,000	-100

Note: some figures may be subject to detailed technical amendment before publication of the 1985 public expenditure White Paper. Source: *Autumn Statement 1984*.
Departments' figures shown are rounded to the nearest £10 million; the planning total is rounded to £100 million and excludes double counting of £290 million on agriculture in Scotland and Wales which is also included in the Agriculture total. All columns include minor classification changes since the February 1984 public expenditure White Paper.
*Includes the urban programme.
†Includes £10 million added to the programme shortly after the publication of the autumn statement.

issuing £1 notes after the end of 1984, although the note would continue to be legal tender for at least a year. This was because the £1 coin introduced in April 1983 (see p 172, 1983) had 50 times the life of the note, yet cost less than twice as much to produce. The measure would save £3 million of public expenditure in the first year alone. Two other changes in the currency were that, subject to approval by the Privy Council, the ½p coin, which had not been issued since 29 March 1984, would cease to be legal tender after 31 December; and that the Bank of England would soon be issuing a new version of the £20 note which ought to be more difficult to forge. [The Privy Council has approved the withdrawal of the ½p coin; the new £20 note entered circulation on 15 November.]

National Insurance Contributions

Mr Lawson said that the Government had decided to reduce the taxpayer's contribution to the National Insurance Fund – the so-called Treasury supplement – by 2 per cent, bringing it down to 9 per cent. This, however, would not require any corresponding increase in contribution rates. Thus, the full class 1 rate would remain unchanged at 9 per cent of earnings for employees and 10·45 per cent for employers. In addition, employers would be relieved of the burden of contributions on payments under the statutory sick pay scheme, which in due course would be extended to cover the first 28 weeks of sickness.

As usual, the earnings limit would need to be increased broadly in line with inflation. From April 1985, the lower earnings limit would rise to £35·50 a week and the upper earnings limit to £265 a week.

In the coming year, Mr Lawson said, employers would enjoy the full benefit of the abolition of the National Insurance surcharge, which had taken effect in October 1984. Taking this into account, the total burden on employers in 1985-86 was expected to be significantly less in real terms than in 1984-85, despite a rising labour force.

Economic Forecast

Giving the Industry Act forecast, Mr Lawson stated that since the Budget, the economy had had to endure a number of testing developments, both at home and abroad. Monetary growth had been in line with the targets set at the time of the Budget, and inflation had remained low – perhaps only 4·75 per cent in the last quarter of 1984. Total national output looked set to rise by a further 2·5 per cent in 1984-85; had it not been for the coal strike, this would probably have been 3·5 per cent. Investment had been rising particularly strongly and, over the economy as a whole, Mr Lawson expected it to reach a new all-time high in 1984-85.

Employment had been rising at a brisk pace since early 1983, but not yet strongly enough to check the rise in the numbers of those registering as unemployed. The outlook for jobs would, however, have been helped by the recent fall in interest rates, which had largely reversed the increase during the summer; there was the prospect of further interest-rate cuts ahead.

The public sector borrowing requirement (PSBR) for 1984-85 was likely to turn out higher than the £7,250 million envisaged at the time of the Budget, chiefly as a result of the coal strike. If the strike were to end at Christmas, he said, it would add some £1,500 million to government borrowing in 1984-85 (and the public expenditure planning total would be exceeded by about the same amount). On that basis, he estimated that the PSBR for 1984-85 would be some £8,500 million. A PSBR of that size would still represent the smallest proportion of gross domestic product[1] for well over a decade.

Mr Lawson expected that in 1985 inflation would fall slightly to 4·5 per cent by the fourth quarter. Output and employment would continue to rise, with total output expected to be up by a further 3·5 per cent, of which about 1 per cent represented the assumed recovery from the coal strike. Within this total, the forecast suggested that 1985 would be another good year for exports and industrial investment. Indeed, investment by non-North Sea businesses was expected to rise in real terms by 7 per cent in 1985, following an 11 per cent rise in 1984.

Looking forward to the 1985 Budget, Mr Lawson said that it appeared that there would be scope for some further net reductions in taxes; the best figure that could be put on this was about £1,500 million. In making this forecast it had been assumed that income tax and excise duties would both be indexed in line with prices and that the PSBR in 1985-86 would be held to the £7,000 million, or 2 per cent of gross domestic product indicated in the medium-term financial strategy published at the time of the last Budget (see pp 124-5). It also took into account the changes made in the 1984 Finance Act, which would take full effect in 1985-86 and reduce taxation by some £1,750 million. It had to be understood, however, that the prospects for 1985-86 would need to be reviewed again, in the light of more up-to-date information, before the Chancellor made his Budget judgment in 1985.

[1]It would be 2·5 per cent, according to the autumn statement.

Conclusion

Mr Lawson said that the autumn statement showed that 'for the third year running – that is, for every single year since the Government introduced cash planning for public expenditure – spending plans have been held at or below previous White Paper totals. It shows, too, that we are now in the fourth year of steady growth, with a further year of investment and export-led growth in prospect, and with no sign whatever of a resurgence of inflation.' The number of people in work was rising strongly for only the third time since the 1960s.

The statement set the background against which further reductions in taxation should be possible, to help further stimulate the enterprise and dynamism of the British economy and thus produce more jobs.

PARLIAMENTARY DEBATE

Opposition Views

For the official Opposition, Mr Roy Hattersley accused the Chancellor of always choosing 'the high unemployment option' as an essential ingredient of policy. Using £1,500 million in the next Budget to reduce direct taxation would create few jobs; if instead it were spent in the public sector it would put about 250,000 people back to work. The Chancellor was betraying both those now out of work and the many more workers who would become unemployed because of the additional deflation which the public expenditure programme now represented, he said. Pointing to a 'record of failure' (reflected in the level of industrial output, recent balance of payments figures, the value of sterling and the level of unemployment), Mr Hattersley rejected the Government's view that the economy could be rescued by 'manipulation' of the public sector borrowing requirement and the money supply.

Dr David Owen, speaking for the Social Democratic Party, said that the Chancellor's statement would be judged by the action that he took to reduce unemployment. However, many of the measures announced – the cuts in urban aid, in the local government capital account and in housing – would work through to add to unemployment. The Chancellor should be using any available money to create jobs by increased capital spending – especially in construction – and cutting employer costs through restructuring of National Insurance.

For the Liberal Party, Mr Richard Wainwright attacked the Government's 'persistent deflation' policy. The Chancellor's 'puny figure' for future economic growth would do nothing to prevent a further rise in unemployment, and was modest by comparison with the success of other industrial economies.

Government Reply

Replying to Mr Hattersley, Mr Lawson said that the answer to unemployment was to create a more vigorous and enterprising economy. That

was why it was essential to reduce the burden of taxation. The Opposition had poured scorn on the predictions made in the 1983 autumn statement; but its predictions had been borne out entirely by events. Commenting on Mr Hattersley's reference to the balance of payments figures, Mr Lawson said that the balance of payments on current account was expected to be roughly in balance in 1984 as a whole; figures for recent months reflected substantially increased imports of oil as a result of the coal strike. The surplus on the balance of payments for 1985 was expected to be some £2,500 million.

In response to Dr Owen, Mr Lawson said that the Government would do everything within its power to reduce unemployment. However, it was an illusion to suppose that that could be achieved by an increase in public expenditure.

Replying to Mr Wainwright, Mr Lawson asserted that Britain's performance both in terms of growth and other indicators had been significantly better than that of other members of the European Community.

Review of Regional Industrial Policy

In a major review of regional industrial policy, the Government has redefined the areas of Great Britain which are eligible for regional aid and has taken steps to shift the balance of financial aid so that a smaller proportion will be available to industry automatically than in the past, but a greater proportion will be available under a discretionary scheme of assistance. This is achieved by making the automatic scheme subject to job-creation conditions.

The results of the Government's review of regional policy were announced in the House of Commons (*Hansard*, Vol 68, No 17, cols 936-54) by the Minister of State for Industry, Mr Norman Lamont, on 28 November. The review was initiated in December 1983 with the publication of a White Paper, *Regional Industrial Policy* (see pp 15-18), in which the Government announced certain conclusions on regional policy and made provision for a period of consultation on other questions. Preparations for implementaton of the review were made in the Co-operative Development Agency and Industrial Development Act (see pp 135-7) which received the Royal Assent on 31 October. The decisions announced in the review are implemented by four statutory orders made on 28 November, and came into effect on the day after.

RESULTS OF THE REVIEW

Among the major changes introduced by the review are the decisions to establish two types of assisted area in place of the former three, and to alter the operation of regional development grants, which have hitherto been the main kind of financial aid to the assisted areas and which have been automatically available to qualifying firms. The other major instrument of financial aid to the regions, selective financial assistance, is a discretionary scheme which will assume a larger role in the operation of regional policy.

New Map of the Assisted Areas

The changes in the assisted areas can be seen by comparing the maps on pp 450 and 451.[1] In effect, the former special development areas have been abolished, and the development areas have become those in which the need for assistance is adjudged to be the greater. The newly defined development areas account for 15 per cent of the working population, compared with 22 per cent covered by the former special development and development areas. At the same time the intermediate areas have been expanded so that they cover a greater proportion (20 per cent) of the working population than before (5 per cent) and, in particular, now take in part of the West Midlands conurbation. The area covered by the assisted areas as a whole now, therefore, takes in 35 per cent of the working population, compared with 27·5 per cent previously.

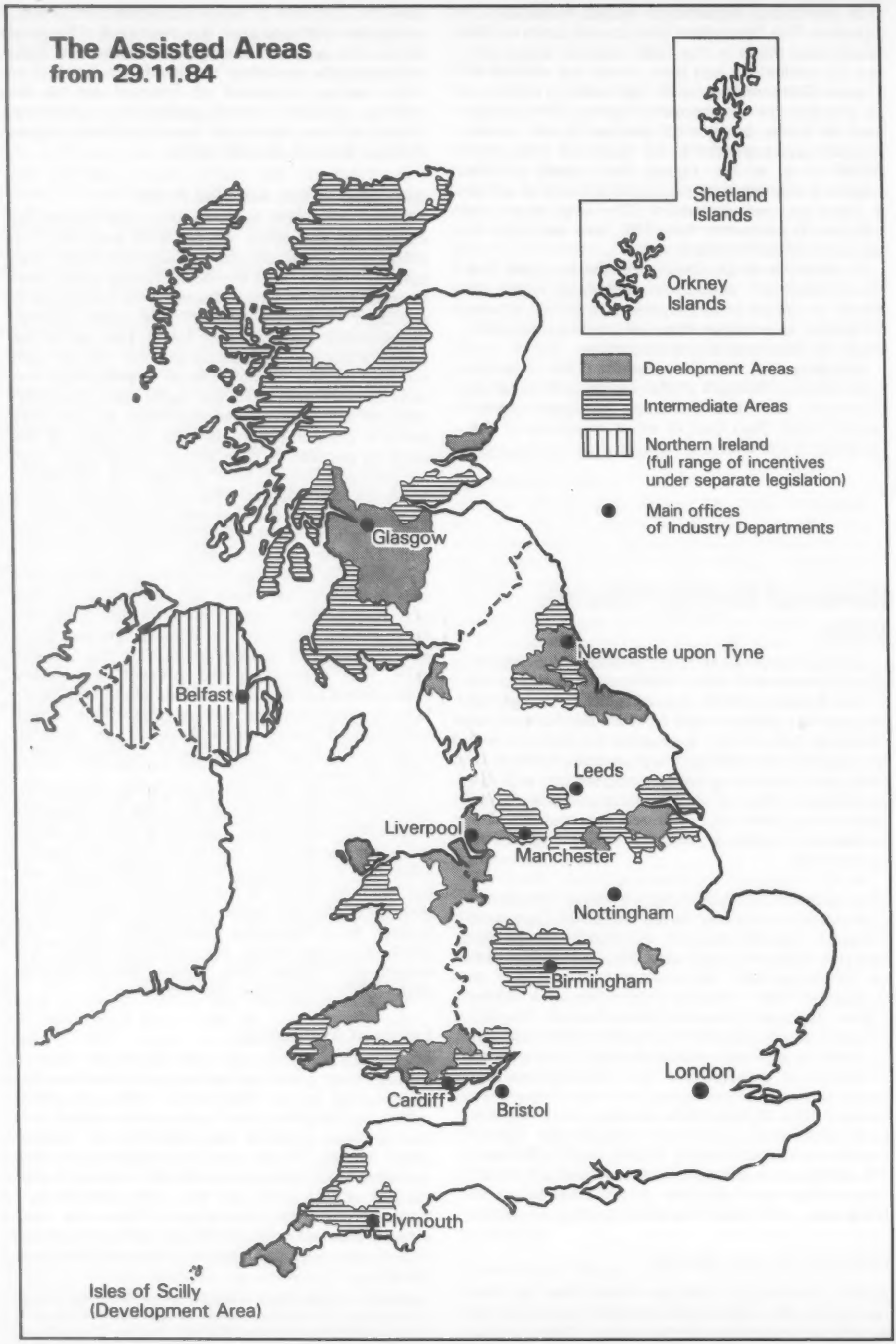
Making his parliamentary statement, Mr Lamont said that the Government had concluded that the new map of the assisted areas should have two tiers instead of three 'to achieve greater cost-effectiveness'. In redrawing the map the Government had considered the present and future employment pattern of each area along with other factors, including the risk of distortions where non-assisted areas were adjacent to assisted areas. Some such effects were inevitable in any regional policy, he said.

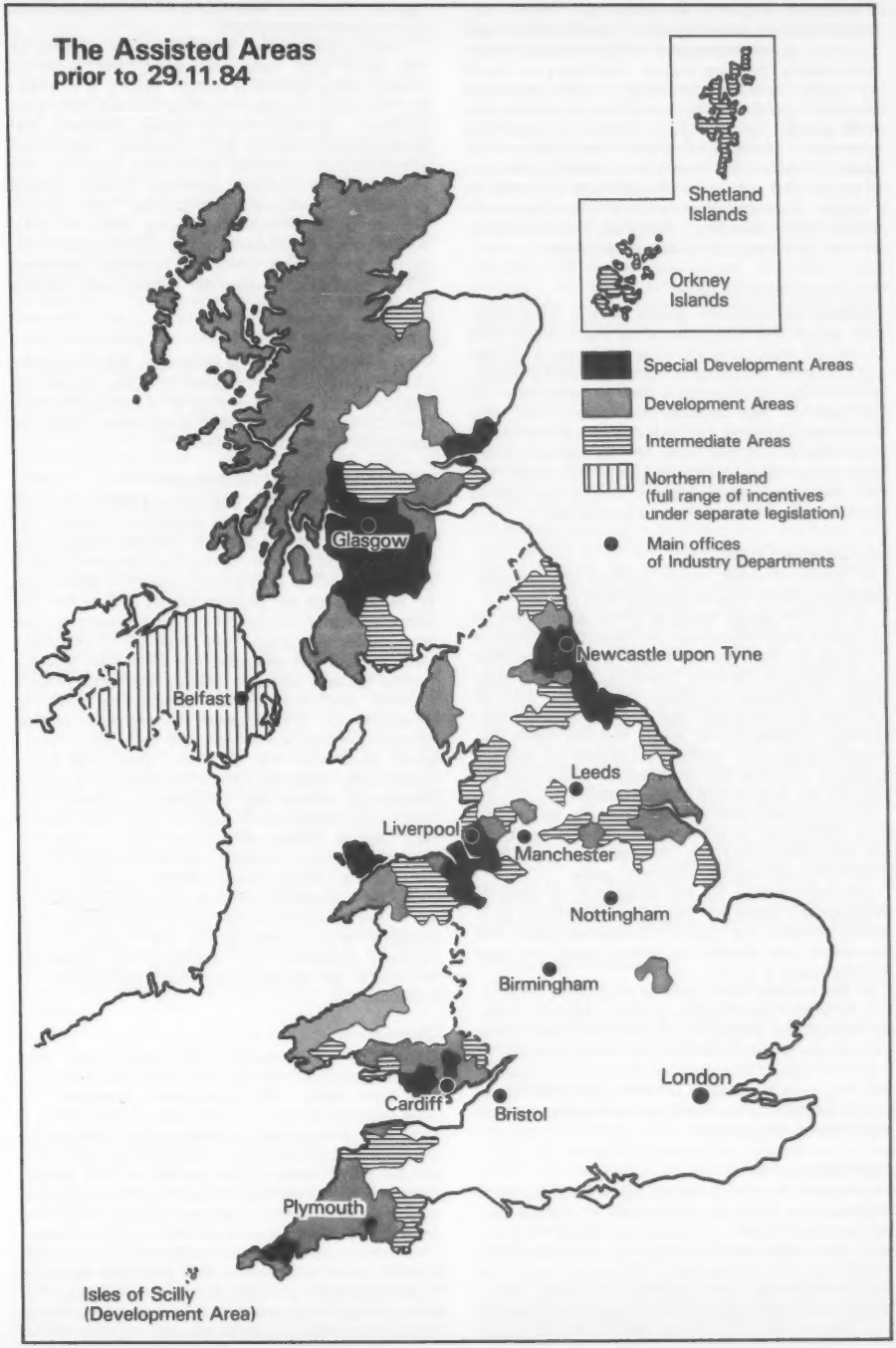
Both tiers of assisted area will be eligible for support from the European Regional Development Fund (ERDF). Answering questions after his statement, Mr Lamont said that it had been a consideration that the extension of the assisted areas and the changes made in the structure of the grant (see p 452) would enable Britain to receive more finance from European Community funds. The ERDF was significant for regional policy; the Government hoped that Britain would receive about £300 million per year from it.

Levels of Assistance

Mr Lamont said that the total figure for regional development grant and selective financial assistance would be cut from £670 million to £400 million in 1987-88. The Government believed that the cut was justified and sensible. At present some 65 to 70 per cent of regional aid was available to industry automatically (regional development grant) while the rest was discretionary (selective financial assistance). When the new scheme was established, he said, the proportions of automatic and discretionary aid would be about equal.

[1]Although Northern Ireland is shown on the maps, the scheme of incentives for investment which is operated there is unaffected by the review of regional policy.


The Assisted Areas
from 29.11.84
Shetland Islands
Orkney Islands
Development Areas
Intermediate Areas
Northern Ireland
(full range of incentives under separate legislation)
Main offices of Industry Departments
Glasgow
Newcastle upon Tyne
Belfast
Leeds
Liverpool
Manchester
Nottingham
Birmingham
London
Cardiff
Bristol
Plymouth
Isles of Scilly
(Development Area)


The Assisted Areas
prior to 29.11.84
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London
Cardiff
Bristol
Plymouth
Isles of Scilly
(Development Area)

Changes in Regional Development Grant

Regional development grants were formerly made towards capital expenditure incurred in providing new assets (building works, machinery or plant) for use on qualifying premises. A fairly important technical change is that qualifying 'activities' are now eligible for the grant instead of qualifying 'premises'. Changes have also been made to the areas for which the grants are available, the rate of grant, and the range of qualifying activities. In addition a job-creation criterion has been introduced when assessing a firm's eligibility for grant, as well as a range of qualifying projects.

Areas and Rates of Grant

Regional development grants, which were available within the area covered by the top two tiers of the old assisted areas map (at a rate of 22 per cent towards the costs of approved capital expenditure in the special development areas and 15 per cent in the development areas), are now available in the top tier only (development areas) at a rate of 15 per cent. In the Government's view, Mr Lamont told the House of Commons, the new rate was high enough to ensure that grants were an effective incentive to investment.

Job-Creation Conditions

Two other changes make regional development grants conditional upon employment creation.

In the first place, for large firms, grants related to capital expenditure will be subject to a limit of £10,000 for each job created. That is to say, that grant becomes payable towards a project only where it creates net new jobs, at a rate of £10,000 for every job that is created. The Government considers that under the old policy too much money was spent in support of capital-intensive projects that created few jobs and did little for the economies of the regions.

However, the limit will not normally be applied to undertakings employing 200 people or fewer on the first £500,000 of capital expenditure eligible for regional development grant.

Another change to the operation of regional development grant for capital investment is that while, formerly, the cost of replacement plant and machinery was eligible for grant, under the new arrangements it is not.

In the second place, and as a possible alternative to capital expenditure grants, regional development grants are now to become available in the form of job grants for labour-intensive projects, at a level of £3,000 for each job created. Companies will not have to choose between job grants and capital grants; they will automatically receive whichever is the greater.

Qualifying Activities

The kinds of activity which qualify for regional development grant are broadened to include certain service industry activities. Previously the grant had been essentially limited to manufacturing industries. In his statement, Mr Lamont said that the Government had decided to make some service activities eligible for the grant because for too long regional policy had unduly discriminated against them even when they offered the prospect of increased employment.

Among the service industries now eligible for the grant are: data processing and software development; technical design, testing and analysis; business services, including management consultancy, market research, public relations, and exhibition contracting and organising; centralised administration services; advertising agencies and industrial photographic services; venture capital providers, credit-card companies and export houses; repair services (excluding those for consumer goods or vehicles, or dry-cleaning services); certain specialised telecommunications services; cable television; mail-order firms; and freight forwarders.

Qualifying Projects

To qualify for regional development grant a project must create new or expand existing productive capacity or effect a change in a product or the production process. It must also relate wholly or mainly to qualifying activities.

Selective Financial Assistance

The selective financial assistance scheme remains broadly unchanged by the review. It continues to be available throughout the assisted areas. One change is that a former distinction between project grants and office and service grants is abolished, to be replaced by project grants which can be allocated either for capital-intensive projects or for labour-intensive ones. Two other forms of selective financial assistance remain as before: training grants (usually given in conjunction with project grants); and exchange-risk guarantees covering private sector firms against the exchange risk of foreign currency loans from the European Investment Bank and the European Coal and Steel Community. Essential criteria for selective financial assistance include the following: projects must have good prospects of viability; they must create new jobs or safeguard existing ones; the greater part of the project costs must be financed by the applicant or from private sector sources; there must be sufficient evidence that without assistance the projects would not take place; and projects should strengthen the regional and national economy, for example, by improving efficiency or introducing new technology or products.

Conclusion

Concluding his statement, Mr Lamont said that after a transitional period, for which due provision had been made, the Government expected the new regional policy to cost nearly £300 million a year less than if the present policy were to be continued. This would be a considerable lightening of the public expenditure burden of the policy. Even so, the Government would still be spending nearly £400 million on regional policy in 1987-88 to improve job prospects in the worst-hit areas. The most important feature of the policy was that money would now be spent in the areas with the worst problems and that, in terms of new jobs for every pound of expenditure, the new policy would be far more effective than the old.

PARLIAMENTARY EXCHANGE

Following the Government's statement, Mr John Smith, speaking for the official Opposition, said that this was the second major attack on regional development after the cuts of 1979-82 (see pp 265-9, 1979). He described the limits on capital grants and job grants as unrealistic. Regarding the new map of the assisted areas, Mr Smith said that areas losing top or second-tier status under the old system and moving to the outer tier under the new would suffer sharp and severe cuts in assistance which would be a major blow to their hopes for industrial development. The Opposition welcomed the inclusion of parts of the West Midlands in the assisted areas, but blamed the necessity for it on government policies. He said it was deplorable that help for new areas covered in the outer tier had been at the expense of areas which had had their aid reduced. He questioned the wisdom of extending assistance to service industries at the expense of cuts in support for manufacturing. The massive drop in investment in manufacturing since 1979 was at the heart of Britain's economic problems. The Government was in reality signalling the end of regional development policies that had previously been pursued by governments of all parties. Its determination to reduce public expenditure was condemning people in the regions to high unemployment and low value-added jobs.

Government Reply

Mr Lamont denied that this was the end of effective regional policy. It was the beginning of job-related and effective regional policy. There had been a lot of waste in the former policy; the Government had now tackled the problem by the cost-per-job limit and the requirement to create jobs. These would account for about half of the savings that had been announced. As for the cost-per-job limit of £10,000, it was about twice the level of the average capital intensity of investment in British industry; it would not deny the capital-intensive sector access to regional development grant. There would be no abrupt cut-off in regional aid; there were generous transitional provisions. Referring to investment levels, Mr Lamont said that, contrary to what Mr Smith had implied, investment in manufacturing was rising very strongly, by some 14 or 15 per cent in 1984.

British Telecom Flotation

Some 3,000 million shares in British Telecom plc (50·2 per cent of its ordinary share capital) are being sold by the Government in the largest-ever flotation of a company in Britain. Over 2 million applications were received for the more than 1,000 million shares on offer to the general public in Britain, representing a substantial oversubscription of the offer. The Government has decided to give priority to the smaller applications. The offer represents by far the most significant sale in the Government's privatisation programme.

In a statement in the House of Commons on 3 December (*Hansard*, Vol 69, No 20, col 19), the Minister for Information Technology, Mr Geoffrey Pattie, said that British Telecom had now been successfully privatised.[1] As a result of the arrangements for the allocation of shares announced on 2 December, British Telecom began its role as a public quoted company 'with very substantially more shareholders than any company in this country'. He also welcomed the 'impressive commitment to British Telecom's future by its own workforce', with nearly all of its employees becoming shareholders in the company.

Background

The business of British Telecommunications (usually referred to as British Telecom), the statutory corporation running Britain's public telecommunications system, was transferred to its successor company, British Telecommunications plc, on 6 August under the Telecommunications Act 1984 (see pp 269-72, 1983, and p 160). The transfer of British Telecom's business into the legal form appropriate for a private sector company was a major step in the preparations for privatisation, initial details of which had been given in May by the Secretary of State for Trade and Industry, Mr Norman Tebbit (see p 181). All the shares in the new company were held initially by the Government. On 16 November Kleinwort, Benson Ltd (the merchant bank handling the flotation) offered for sale on behalf of the Secretary of State 3,012 million ordinary shares in British Telecom plc at a price of £1·30 a share. The issue was fully underwritten and, following discussions with a group of financial institutions, these shares were then taken up. The institutions retained a proportion of these shares and the remainder were made available for public offer, with prospectuses being published on 20 November and applications invited by 28 November. The offer price of £1·30 a share is payable by instalment: 50p on application, 40p in June 1985 and 40p in April 1986.

Allocation of Shares

Details of the allocation of shares were announced by Kleinwort, Benson Ltd on 2 December. The allocation between the different types of shareholder is set out in the table on p 454.

Public Applications

A total of some 2·06 million applications were received from the general public, of which about 1 million were for 200 shares (the minimum that could be purchased) or 400. These applications were granted in full, while it was announced that applicants for 800 shares would receive 500, applicants for 1,200 shares would receive 600, applicants for 1,600 to 100,000 shares would be

[1]For more detailed information on the Government's privatisation programme see pp 306-8. This article has now been published as a separate reference paper, *Britain's Privatisation Policy*, COI, No 245/84.

Allocation of British Telecom Shares on Offer

Types of shareholders	Number of shares	Percentage
Public applicants	1,031,551,993	34·2
Employees and British Telecom pensioners	137,098,007	4·6
Institutional priority applicants	1,428,350,000	47·4
Offerings in the United States, Canada and Japan	415,000,000	13·8

allocated 800, and no allocation would be made to applicants for more than 100,000 shares.

Under the terms of the offer, successful applicants may be eligible to receive from the Government free of charge either bill vouchers for use against British Telecom telephone bills or a share bonus (consisting of one extra share for every ten shares held continuously from the acceptance of the application for shares up to the end of November 1987). Each bill voucher will have a face value of £18 and the number supplied will depend on a person's continuous shareholding. About two-thirds of successful applicants have opted for the share bonus.

Employee Shareholdings

Special arrangements were instituted for employees and former employees of the company to participate as shareholders. There was a matching share offer for employees under which the Government would provide each eligible employee with two ordinary shares (up to a maximum of 154 shares) for each share purchased by the employee. Under this arrangement about 184,000 eligible employees of British Telecom's staff of 240,000 applied for shares. In addition, each eligible employee could apply for 54 free shares and applications were received from some 222,000 employees (over 95 per cent of those eligible). The total number of shares allocated under these arrangements was about 53 million.

In addition, about 63,000 employees and 25,000 British Telecom pensioners applied for shares above the matching offer. Applicants for up to and including 20,000 shares were granted their allocation in full, while those applying for greater numbers of shares were allocated 20,000. The total number of shares allocated in these preferential applications was some 84 million.

Other Applicants

Over 2,000 institutional priority applicants were allotted over 1,428 million shares. In addition, nearly 14 per cent of the shares were made available for investors in the United States, Canada and Japan; underwriting agreements were signed with syndicates of banks in these countries.

Government Shareholding

Following the flotation, the Government's stake in British Telecom plc has been reduced to 49·8 per cent of the ordinary shares. It will not dispose of any of these shares (except under the bonus share arrangements) before April 1988. However, it does not intend to exercise its rights as an ordinary shareholder to intervene in the commercial decisions of British Telecom.

Extension of Share Ownership

Before the sale of British Telecom plc it was estimated that some 1·65 million people in Britain owned shares directly. However, this number has increased substantially as a result of the British Telecom share offer, which attracted many people who were making their first investment in shares. British Telecom now has the largest number of shareholders of any publicly quoted company in Britain, having overtaken the previous leader in this field, Imperial Chemical Industries (ICI), which has some 366,000 shareholders.

Civil Aviation Bill

The Civil Aviation Bill, which contains a number of provisions relating to airports in Britain, has been given its second reading in the House of Commons. The Bill would empower the Secretary of State for Transport to impose limits on the number of aircraft movements at airports owned by the British Airports Authority, and provides for circumstances in which the Civil Aviation Authority would be able to revoke, vary or suspend air transport licences to prevent or reduce excess demand at an airport.

The Bill would also amend the Civil Aviation Act 1982 to secure the most effective use of airports owned by the British Airports Authority,[1] and makes provision for reducing the Civil Aviation Authority debt to the Government with regard to its privatisation of Scottish aerodromes.

Parliamentary Debate

The Bill received its second reading in the House of Commons on 21 November by 232 votes to 154, a government majority of 78 (*Hansard*, Vol 168, No 12, cols 299-384).

Government View

Opening the debate, the Secretary of State for Transport, Mr Nicholas Ridley, said that the Bill's main changes would provide him with powers to limit aircraft movements at airports, powers needed in relation to the current problem at Heathrow. Whatever decision was taken following the inspector's report on the future of Stansted, it would be necessary to have powers to limit the

[1]Aberdeen, Edinburgh, Gatwick, Glasgow, Heathrow, Prestwick and Stansted.

take-offs and landings of aircraft at Heathrow in the near future.[1] In 1979 the Government had given a pledge that air transport movements at Heathrow would be limited to 275,000 a year. It would be wrong to go back on that pledge, because those who lived around Heathrow expected the Government to honour it and because the Government had given evidence to the inspector at the Stansted inquiry that it intended to impose that limit. There was, Mr Ridley said, 'no deep-seated plot here to box ourselves into a position where we have to develop Stansted. We have made it clear since 1979 that that limit would be imposed on environmental grounds.'

The scheme for Heathrow had to be in place before June 1985, when the international scheduling conference of the International Air Transport Association would meet to allocate slots at about 50 of the world's most important airports. Even if there were no environmental limit, there would still be a physical limit on Heathrow's capacity. It would not be very long before Gatwick also ran into capacity problems. The Government therefore needed powers to limit movements at airports in general and at Heathrow in particular.

Although airlines had to realise that the limit meant that they would not be able to operate every service they might want to, the Secretary of State wanted to ensure that airlines established at Heathrow had a fair and equal opportunity to operate there to the extent that the environmental limit allowed. Every effort, Mr Ridley said, 'will be made to ensure that within the constraints of the limit Heathrow is used as effectively and as commercially as possible, that it continues to serve the domestic market and is compatible with our wish to promote competition on domestic services, while not changing Heathrow's importance as an international hub airport of great importance to the economy'.

Opposition View

The Labour Party's chief spokeswoman on transport, Mrs Gwyneth Dunwoody, described the Bill as 'a panic measure'. The measure would pre-empt the Government's statement on Prestwick and the inspector's report on Stansted. The Government had still not decided its attitude towards regional airlines or regional airports. There was no sense in the policy being put forward by the Government; it was not competition policy, it was not especially efficient and it would not serve the environmental needs of those most affected.

The Liberal Party's transport spokesman Mr Stephen Ross said the Government's civil aviation policy was in disarray and its airline policy was in conflict with its public transport policy. The Bill was not particularly helpful to regional airports and was unrealistic in respect of Civil Aviation Authority airports.

[1]A public inquiry into proposals by the British Airports Authority to expand Stansted's capacity to about 15 million passengers a year and its proposals for the construction of a fifth passenger terminal at Heathrow was held from September 1981 to July 1983. The inspector's report has been delivered to the Secretary of State for Transport, and the Minister of State, Department of the Environment, and is due to be published shortly.

Adult Training

A drive to focus attention on adult training has been launched by the Government, and proposals have been put forward for an experimental training loans scheme for adults.

Adult Training Campaign

The Manpower Services Commission launched a major campaign on adult training on 20 November. The Commission will be taking the lead in the organisation of conferences, workshops and seminars, and will be urging employers, trainers, trade unions and individuals to bring adult training to the forefront of the drive for economic recovery. The campaign aims to improve attitudes to training by demonstrating its benefits to the different groups involved, by stimulating those concerned to work together at national and local level to improve adult training arrangements, by creating opportunities to receive or provide better training, and by providing an umbrella for adult training activities to encourage interest and action.

Speaking at the launch of the campaign, the Secretary of State for Employment, Mr Tom King, said that new attitudes to training were urgently needed to underpin Britain's economic recovery. 'We still talk of investment just in terms of buildings and machinery', Mr King said, but 'what is going to matter more and more in the future is investment in the training of people.' Managers could no longer reckon to make that investment in human skill only once; it would have to be renewed and updated throughout people's working lives. Employers had the key role because they were best placed to make decisions about who should be trained, when and in what skills. The Government also had an active part to play, and it was working hard to stimulate change and make sure that the substantial funds put into adult education were used effectively. Individuals should also be encouraged to play their full part in investing in their own future.

Training Loans

On 12 November the Government issued a consultation paper[1] inviting views on an experimental scheme of training loans designed to open up more opportunities for adults to train and retrain for employment. The Government has set aside £5 million for some 10,000 loans of varying amounts. The paper outlines a proposal for a pilot scheme of shared loans, which would be additional to existing training arrangements. The Government would share the cost of the loan with an existing lending institution such as a bank, with the trainee also making a contribution. The scheme would be open to anyone aged over 21 and resident in England, Scotland or Wales wishing to take any course of vocational training which lasts a year or less, although part-time courses could be longer. Applications would be made to the lending institutions participating in the scheme, which would decide whether to grant a

[1]*Training Loans: A Proposal by the Secretary of State for Employment for an Experimental Training Loans Scheme for Adults*. Available free from the Department of Employment, Caxton House, Tothill Street, London SW1H 9NF.

loan and would handle the administration. Successful applicants would be required to provide a certain proportion – perhaps 20 per cent – of the necessary finance from their own resources; the lending institution would negotiate a loan for the remainder providing, say, half from its own resources, with the other half provided by the Government. The loan would bear the appropriate commercial rate of interest. The types of courses likely to attract applications for a training loan might include heavy goods vehicle driving, courses for individuals to update their skills, office technology training and various small business courses.

Introducing the scheme, the Secretary of State for Employment said that the Government wanted 'to explore all the possible options for helping people to get the training they want and need. This scheme could help those who fall outside the training provision or cannot afford to meet the whole cost of training.'

Shorter Notes

NATIONAL QUALITY INFORMATION CENTRE

A National Quality Information Centre was launched by the Government on 7 November to help British industry to improve the quality and competitiveness of its products. The Centre, operated by the Institute of Quality Assurance from its London headquarters, will enable industry and commerce to obtain information on all aspects of quality assurance quickly from a central source. It forms an integral part of the Department of Trade and Industry's National Quality Campaign (see p 173, 1983).

Speaking at the launch, the Parliamentary Under-Secretary of State for Industry, Mr John Butcher, said that the essential aim of both the Centre and the Campaign was to bring about a strong reassertion of Britain's reputation for quality. Companies which strove for quality tended to be the ones which made a lasting and profitable impact in world markets.

Source: Department of Trade and Industry press notice, 7.11.84.

EXPORT CREDITS GUARANTEE DEPARTMENT

The Government has announced its response to a report, published in April (see pp 180-1), which had proposed the replacement of the Export Credits Guarantee Department (ECGD) by a public corporation. The Minister for Trade, Mr Paul Channon, said in the House of Commons on 21 November that the Government agreed that changes were needed to make the ECGD more businesslike and commercial, but these did not require it to become a public corporation. He had ordered a further quick review to investigate the scope for change within the existing framework to give effect to the underlying objectives of the report. The ECGD had also been asked to discuss with the private sector the possibility of increasing private sector involvement in support of British exports without adding to the risks borne by the ECGD. Finally, the Treasury and the Bank of England would examine with other interested parties the idea of a private sector export bank.

Source: *Hansard*, Vol 68, No 12, cols 284-5.

BUSINESS EXPANSION SCHEME

Evidence suggested that the business expansion scheme had been a great success in its first year (1983-84) the Financial Secretary to the Treasury, Mr John Moore, said in a speech to the Independent Programme Producers Association on 14 November. [The scheme allows investors in new or small expanding companies engaged in certain eligible high-risk activities to obtain income tax relief on up to £40,000 invested in any one year (see p 133, 1983).] It appeared that at least £75 million had been invested under the scheme in over 400 separate companies by about 10,000 individual investors. Well over half of the total had been invested in 'young or very young companies' and the rest in more mature but still relatively small companies. It also appeared that there had been an even division between investment directly in companies and investment through approved investment funds: in both cases investors became owners in the companies in which they invested, thereby taking a direct share in the companies' prosperity. There had been a very wide spread in the sums raised by companies, with about 30 per cent of the companies each raising £50,000 or less and a further 60 per cent between £50,000 and £250,000 each. The amount of new equity capital that could be raised by any one company under the scheme was limitless, and several had raised over £1 million each.

The Finance Act 1984 (see pp 121-7), Mr Moore added, had brought film production – an extremely risky business – within the scheme. British companies were good at making films, and the Government recognised the contribution to the economy and employment that a prosperous and innovative film industry could make (see p 460). Smaller independent British film producers working on relatively small budget films and material, who often had difficulty in raising finance, had a lot to gain from the scheme. However, as the scheme was designed to encourage new or expanded activities by companies on a continuing basis, film production companies would have to be actively engaged at all times in one or more of the various activities covered either by the pre-production or development stages of film making, or by the production stage itself, to qualify under the scheme. They would also need to gain all of their income from royalties or licence fees from films produced by themselves.

In recognition of the special nature of the film industry, Mr Moore noted that additional special

measures had been introduced to help it. Film companies were now permanently entitled to capital allowances (which had been due to run out in 1987); the industry could also opt to be taxed on an alternative basis which allowed expenditure to be written off on revenue account broadly in line with the income accruing to a film; and a scheme was to be established to enable expenditure on films to be written off in certain circumstances even more quickly than at present.

Source: HM Treasury press notice, 14.11.84.

LINER CONFERENCES CONVENTION

Regulations were laid before Parliament on 13 November to enable Britain to accede to the United Nations Convention for Liner Conferences. The Government intends that Britain should accede to the Convention in 1985 at the same time as other European countries. The Convention, which came into force in 1983, is a wide-ranging Code of Conduct governing relations among shipping lines which are members of conferences (agreements between shipping lines to provide a regular service on particular routes), and between these lines and shippers. The principal provisions of the Code are that national shipping lines have a largely automatic right to membership of conferences dealing with shipping routes serving their countries; cargoes carried would normally be shared on an equal basis by the national lines at each end of the trade, with a significant part available to other traders; shippers' organisations must be consulted by conferences over a range of issues; and 'international mandatory conciliation' is available in the event of disputes. The application of the Code is affected by modifications made by a European Community regulation of 1979.

Under the Code a 'national shipping line' is defined, but governments are allowed to add further criteria. The Government has decided to set criteria to maintain as open a market system as possible for shipping lines operating out of Britain. The regulations therefore grant national shipping line status to lines with their principal place of business in Britain or to other European Community states' shipping lines established in Britain. The only exceptions, which would not be recognised as British national lines, would be shipping lines owned or controlled in countries not allowing reciprocal treatment for British lines.

The Code allows individual governments to decide who should have the right to take part in consultations with shipping conferences. The Government's objectives are to ensure that those organisations which already have a major role in representing shippers' interests will have the right to be consulted under the Code and to avoid the conferences having to consult an excessive number of organisations. Accordingly, the regulations allow one national organisation, in most cases expected to be the British Shippers' Council, to claim consultation rights in most, if not all, conferences subject to the Code, and other shippers' organisations to claim consultation rights where reasonable.

Source: Department of Transport press notice, 13.11.84.

MOSSMORRAN

The Mossmorran natural gas liquids plant in Fife was officially opened by the Secretary of State for Scotland, Mr George Younger, on 16 November. It is part of a £528 million project at Mossmorran comprising the processing plant, associated pipelines and a shipping terminal at nearby Braefoot Bay in the Firth of Forth. The opening of the plant marks the completion of the Far North Liquids and Associated Gas System (FLAGS), a major gas-gathering and processing operation costing some £1,300 million at 1984 prices. The FLAGS network (owned by Shell and Esso) is primarily designed to bring ashore gas and gas liquids from the Brent field through a 447-km (278-mile) submarine pipeline (the longest in British waters), but is also used by many other companies and serves as the primary gas-gathering system in the East Shetland Basin. Gas is brought ashore at the St Fergus gas terminal (see p 229, 1978) where methane and some ethane, which together form about 80 per cent by volume of the contents of the pipeline, are separated from the liquids and delivered to the British Gas Corporation for use in the national natural gas network. The remaining mixture of liquids is delivered through a 222-km (138-mile) pipeline to Mossmorran. The plant (which is able to deal with more than 2 million tonnes a year) splits the mixture into a range of products: ethane, propane, butane and natural gasoline. An ethylene cracker facility is being built at Mossmorran at a cost of some £500 million and should be in operation by 1985.

Source: Shell UK Exploration and Production press notices, 14.11.84.

BRITISH TECHNOLOGY GROUP

The Government has approved the corporate plan of the British Technology Group (BTG)[1] for the five years 1984-89. Under the plan, the BTG will concentrate its efforts on technology transfer, helping British industry to exploit technology from sources within the public sector. More specifically, it will: offer to take responsibility for patenting, or otherwise protecting technology derived from universities and other public sector sources; provide funds to develop that technology to the point where it can be taken up by industry; transfer the technology to industry by seeking licensees; offer project finance to help these licensees to launch the product onto the market; share the licence

[1]For information on the BTG's operations see *British Technology Group*, COI, No 216/83.

income with the source of the technology, either the institution or the inventor; and plough back the BTG's share of the licence income into the development and exploitation of other technology.

As part of its role in encouraging technology transfer, the BTG will also offer project finance to companies wanting to develop new products and processes based on their own new technology. In cases where a particular technology requires the establishment of new companies, the BTG will help in their promotion. All these activities will be carried out on commercial terms. The BTG expects to be both profit-making and self-financing throughout the 1984-89 period.

The BTG has announced two major initiatives – and a number of smaller ones – to promote technology transfer. First, it will invest about £15 million a year from its own resources. This will enable it at least to double its current rate of investment in development projects at universities and other bodies within the public sector. Secondly, in addition to its traditional business of supporting the exploitation of investments through licensing, the BTG will in future provide finance for other methods of technology transfer. It will do this both by offering, on commercial terms, up to 50 per cent of the finance for projects to support contract research and development, consultancy and other services provided by university departments and industrial liaison companies, and by providing finance for academic companies through 'Campus Investments'.

Source: BTG press notice, 9.11.84.

TECHNOLOGY EDUCATION IN SCOTLAND

A programme to expand the output of engineering and technology graduates from the central institutions[1] in Scotland was announced by the Government in November. Up to £14 million will be made available over three years to the institutions to increase the number of student places on engineering and technology courses, with particular emphasis on electrical and electronic engineering and related disciplines such as mathematics and computer science. Together with increases already planned, the additional places should increase the institutions' annual output of engineers and technologists from the present figure of about 500 graduates a year to about 800 by the end of the decade. The funding will be allocated on the basis of a detailed programme to be drawn up by the Scottish Education Department in consultation with the Industry Department for Scotland and the institutions themselves. Up to £2·5 million is likely to be available in 1985-86, increasing to £6 million in 1987-88.

Announcing the initiative, Mr Allan Stewart, Parliamentary Under-Secretary of State at the Scottish Office, said that the Government had determined that resources for higher education should be switched towards engineering and technology to meet the needs of tomorrow's industries. Scotland's reputation as 'Silicon Glen' was now firmly established, and the key to its continuing success would be skilled manpower. The excellence of the Scottish higher education system – which produced more graduates per head than any other Western European country – was a crucial factor in Scotland's favour. The principal objective of the initiative was to meet demands for suitably qualified manpower for the new technology industries which had become established or were considering becoming established in Scotland. Mr Stewart hoped that both present and potential industrial investors would regard the initiative as proof of the Government's intention that the higher education system in Scotland would play its full part in avoiding manpower shortages in particular high-technology skills.

Source: Scottish Office press notice, 29.11.84.

[1]The 11 central institutions directly funded by the Scottish Education Department provide most of the full-time degree-level courses in Scotland outside the universities and colleges of education. These, together with five other colleges of technology, are likely to receive most of the funding available.

SOCIAL AND CULTURAL AFFAIRS

Social Security Bill

Measures to protect the occupational pension rights of workers who change jobs before retirement age, to require occupational pension schemes to provide information about themselves to their members, and to extend the operation of the statutory sick pay scheme, are included in the Social Security Bills which was given a second reading in the House of Commons on 26 November by 217 votes to 138, a government majority of 79.

Main Provisions

The Bill would carry into law the proposals on pension rights announced by the Government in July (see p 325). The main provisions are as follows:

Pension Provision for Early Leavers

Employees in occupational pension schemes who changed their jobs after the Bill becomes law (which the Government hopes will be on 1 January 1986) would have their preserved pension rights increased in line with prices or by 5 per cent a year compound, whichever was the less. They would benefit from this revaluation over the whole period between leaving employment and their pensions becoming payable. The protection would cover all the pension rights earned from 1 January 1985 for those with at least five years' membership of a scheme.

Early leavers who did not wish to leave their pensions with the existing scheme would have the right to a lump-sum transfer payment. They could then choose to use this payment in any of the following ways: to buy rights in their new employer's pension scheme; to buy an annuity from an insurance company of their choice; or to invest in another sort of pension arrangement, for example, a personal pension. The right to take a transfer instead of keeping a preserved pension would be available at any time from leaving a job up to one year before pension age.

Information about Pension Schemes

Schemes would have new obligations to provide information for their members. Members would receive basic information as a right, and other information about the way in which these schemes are run and their funds invested would be available on demand. A register for pension schemes would be set up on lines similar to the Companies Register. Schemes would be required to give the register full information about the way in which they work, and this would be publicly available.

Statutory Sick Pay

An employer currently pays statutory sick pay for an employee's sickness for up to 8 weeks in a tax year. The Bill would extend this provision to 28 weeks.

Government View

Introducing the second reading of the Bill (*Hansard*, Vol 68, No 15, cols 671-716), the Secretary of State for Social Services, Mr Norman Fowler, said that the Bill represented the largest single reform of occupational pension schemes for a decade. There were currently around 90,000 occupational schemes with about 11 million members. Their funds were estimated to be worth well in excess of £100,000 million, held and managed on behalf of half the working population and their families.

Four main principles underlay the reforms. The first was fairness of treatment for everyone, including members of pension schemes and ex-members, employers and employees. At present the balance was tipped against the employee who changed his or her job and who left a scheme before pension age. The second principle was freedom of choice for an employee in deciding about his or her pension provision. Thirdly, people should have enough information to be able to make the right choices and to know that assets invested on their behalf were being properly handled and safeguarded. Fourthly, people should be free to move jobs to where their skills were most needed and best rewarded. Artificial barriers to job mobility which could arise from the operation of occupational pension schemes should therefore be eliminated.

Opposition View

Mr Michael Meacher, the official Opposition's chief spokesman on health and social security, said that it was disturbing that the main thrust of the Bill was towards extending privatisation into further parts of the welfare state, notably in the provision for long-term sickness. With regard to occupational pensions, early leavers would still be at a disadvantage compared with stayers, who were covered by the Social Security Pensions Act 1975 for rises in line with earnings. The Government's proposals on transfer values were an advance, but

it was difficult to see how fair transfer values could be guaranteed without standardising the methods of calculation and the assumptions for calculating those values.

Films Bill

The Films Bill, which would carry into law the Government's proposals for the future of the British film industry announced in July (see pp 332-3), was given a second reading in the House of Commons on 19 November by 216 votes to 160, a government majority of 56.

Provisions of the Bill

The Bill would repeal the statutory provisions – the Films Acts 1960-80 – which regulate the exhibition and distribution of commercial films. These provisions include the film quota system, which specifies the minimum number of British and European Community films (15 per cent) to be shown each year in British cinemas (this system is currently suspended), and the requirement to register films for public exhibition and to license cinemas and distributors. The Bill also allows for the early termination of the levy on cinema admissions (the Eady levy), which is at present due to end in October 1985; dissolves the National Film Finance Corporation; and introduces alternative arrangements for providing financial assistance to the film industry. (This last measure would include the provision of a government grant of £1·5 million a year for five years to a private company set up to encourage the commercial production of British films.)

Government View

Introducing the second reading of the Bill (*Hansard*, Vol 68, No 10, cols 29-110), the Minister of State for Industry, Mr Norman Lamont, said that in recent years the film industry had seen a surge of activity. Production had increased and studios were full, and the industry was in a sufficiently healthy state to take advantage of the increased opportunities that would be available through video, cable and direct broadcasting by satellite. To ensure that it could make sufficient films to meet the new demand, and to help to reverse the decline in cinema attendances, the Government had decided that the time had come to sweep away the archaic legislative framework of the industry.

Opposition View

Mr Brian Gould, an official Opposition spokesman on trade and industry matters, said that there was wide opposition to the Bill within the film industry. The Government's planned financial support for the industry was pitifully small, compared with that available to other art forms. No effective mechanism had been provided to replace the Eady levy; such a mechanism, which could redistribute the resources produced by the film industry as a whole, was urgently needed.

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